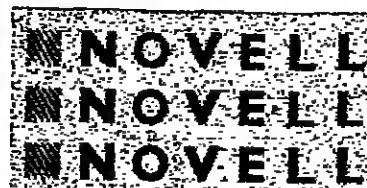


Fault lines
North v South
in Italy's election
Page 15



GE Capital
Still growing,
still buying
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Novell adds
WordPerfect
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Drugs R&D
Survival of
the fastest
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FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY MARCH 23, 1994

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Ciskei 'homeland' leaders cede power amid unrest

The government of Ciskei, a nominally independent black homeland in South Africa, relinquished power after widespread unrest. South African troops moved in after Ciskei leader Brigadier Oupa Gqozo asked for help from Pretoria. In the Lebowa black homeland, the chief minister also requested assistance after a strike by civil servants made it impossible to keep control.

South Korea increases alert: South Korea put its military forces on increased alert for a possible attack by North Korea as international pressure intensified on Pyongyang to allow nuclear inspections. Page 16

Spielberg film scoops the Oscar pool
Holocaust drama *Schindler's List* swept the board at the Academy Awards in Los Angeles, winning seven Oscars for Steven Spielberg (best director), including best film. It was Spielberg's first Oscar success after a string of box-office hits. Tom Hanks won the best actor award for his role in *Philadelphia*, the first mainstream film dealing with AIDS, and Holly Hunter was named best actress for her portrayal of a mute woman in *The Piano*.

Visa forms 'electronic purse' consortium: Visa International has formed a global consortium to develop common specifications for an "electronic purse" card which could be used instead of cash. Page 18

Italian spending overshoots target: The Italian government said spending in 1994 was liable to overshoot the budget target by L14,800bn (\$3.5bn). Page 16

US rocks shipbuilding talks: An unexpected shift of position by the US has thrown into disarray international negotiations aimed at reducing shipbuilding subsidies. Page 4

Renault Vehicules Industriels, commercial vehicles subsidiary of the French state-owned automotive group, suffered a net loss of FF1.4bn (\$230m) last year compared with one of FF1.62bn in 1992. Page 20

Mideast talks move to Cairo: Israeli and Palestinian negotiators are to meet again today in Cairo, having failed during two days of talks in Tunis to agree conditions for resuming talks on Palestinian autonomy. Page 6

French TV maker back in profit: Thomson Consumer Electronics, French television manufacturer, returned to the black after three years of losses. Page 17

Air France sells CSA stake: The Czech authorities said they had agreed to buy back Air France's minority stake in CSA, the Czech airline, for \$27m. Page 17

Hoechst, the German chemicals concern, reported an "insignificant" rise in operating profits in the first two months of this year. Page 17

Crédit Lyonnais to be restructured: French economy minister Edmond Alphandery confirmed that the government plans to restructure Crédit Lyonnais, the loss-making bank, by injecting capital and floating part of its property into a state-controlled shell company. Page 17; Lex, Page 16

Jardine Fleming secured its position at the top of Hong Kong's merchant banking league with a 166 per cent rise in 1993 net earnings to US\$292m. Page 22

Investment in India up eightfold: Foreign investment in India is estimated to have risen eightfold in the last 12 months to about \$5bn, far above the government's targets. Page 6

US cigarette tax may rise: A US health committee voted to raise the tax on cigarettes by \$1.25 a pack to help pay for a reform of the country's healthcare system. If agreed by Congress, the rise could produce \$16m a year. Page 7

US trade deficit sharply up: The US trade deficit in goods and services rose sharply to \$6.3bn in January against \$4.1bn in December, the Commerce Department said. Page 7

Sainsbury to open French drinks stores: UK supermarket chain Sainsbury is to open a drinks outlet in Colais to offer its own-brand drinks at lower French prices.

STOCK MARKET INDICES			
FT-SE 100	3201.5	(+3.5)	
Yield	3.78		
FT-SE Euro Stoxx 100	1438.48	(+1.77)	
FT-SE All-Share	1617.05	(+0.0%)	
Nikkei	20,253.53	(-215.92)	
Dow Jones Ind Ave	3868.29	(+1.44)	
S&P Composite	468.66	(+0.12)	
US LUNCHTIME RATES			
3-mo Treasury Bill	3.40%		
Long Bond	5.1%		
Yield	5.52%		
LONDON MONEY			
3-mo Interbank	5.4%	(up)	
Libor 3m	5.4%	(Mar 10/94)	
NORTH SEA OIL (Argus)			
Brent 15-day (May)	\$14.0	(13.77)	
GOLD			
New York Comex (Apr)	\$380.5	(386.3)	
London	\$380.25	(386.2)	

No compromise as Anglo-Spanish proposals for rule changes are shunned

EU states fail to break deadlock on voting rights

By Lionel Barber and David Gardner in Brussels and Kevin Brown in London

European Union foreign ministers yesterday failed to resolve their dispute over voting rights in an expanded Union, as the UK and Spain ran into a wall of opposition to their demands for changes to the rules.

Three sets of Anglo-Spanish proposals aimed at protecting the ability of large member states to block decisions were rejected at a meeting of foreign ministers in Brussels, and neither side offered to compromise.

The statement, which threatens to delay the entry of Finland, Sweden, Austria and Norway into the Union, prompted Mr Douglas Hurd, UK foreign secretary, to appeal to his EU partners and his own British cabinet colleagues for flexibility.

Mr John Major, UK prime minister, raised the stakes in the dispute by warning that Britain would not be moved by "phony threats to delay enlargement".

Using language which contrasted sharply with Mr Hurd's calls for flexibility, Mr Major delivered a strong warning that

■ Time running out for EU image Page 2
■ MPs warn of fresh civil war over Europe Page 10

the government was determined not to give way.

"There is ample time to complete the enlargement process," Mr Major said in the House of Commons. "If there is delay it will be because certain other member states, not in particular, have taken an inflexible and doctrinaire line," he said.

The prime minister's office said Mr Major's remarks were aimed at Belgium and the Netherlands, which he believed had blocked agreement in spite of the willingness of the other eight member states to settle on terms acceptable to Britain and Spain.

Mr Hurd, who appeared uncomfortable with Britain's hard-line stand in the enlargement negotiations, said in Brussels that time was running out for a compromise. "Agreement requires movement by everybody,"

Mr Pieter Koofmans, Dutch foreign minister, reflecting widespread frustration with British



Spanish foreign minister Javier Solana: not optimistic about a breakthrough

Associated Press

and Spanish brinkmanship, said: "We are now in a crisis. That is because they cannot present any compromise as a victory for themselves."

Mr Alain Juppé, French foreign minister, said Anglo-Spanish demands would make decision-making in a Union of 16 member states more difficult. "We want enlargement with a reinforcement of the European Union's powers."

Hopes of a face-saving compromise rest on a deal being reached at a meeting of EU foreign ministers in Greece this weekend. Mr Klaus Kinkel, German foreign

minister, and Mr Javier Solana, Spanish foreign minister, said they were not optimistic about a breakthrough.

The UK and Spain are seeking to maintain voting rules which allow two large member states and one small one to muster 23 votes to block decisions. But all other states want to raise the minority blocking threshold to 27 votes to take account of the entry of the Nordic and Alpine countries.

EU diplomats said the UK and Spain proposed three formulas to safeguard their position. These included raising the blocking

minority to 25 votes, a UK proposal; making it impossible to outvote countries representing more than 100m people; and adding a legally binding Anglo-Spanish protocol to the Maastricht treaty which would allow countries mustering 23 votes to postpone decisions indefinitely.

Ministers from the applicant countries warned in Brussels yesterday that already tepid support for EU membership could cool further. "This gives the impression that things are not handled rationally here," said Mr Pertti Sololainen, Finnish foreign trade minister.

Russia and IMF in deal on \$1.5bn loan

By John Lloyd and Reuter in Moscow

The Russian government and the International Monetary Fund have agreed to a deal which will see the government receive \$1.5bn from the IMF soon.

Mr Michel Camdessus, IMF managing director, said last night: "The announcement, made after hours of talks with the Russian prime minister, Mr Viktor Chernomyrdin, and weeks of tortuous negotiations, fell short of the final deal and vote of confidence in its economic policy that Russia had hoped for."

The loan was delayed because of Moscow's failure to cut spending.

But Mr Camdessus was quick to cushion the blow of the delay, commending "the efforts of the

Russian government aimed at achieving economic stability and fighting inflation."

Mr Alexander Khandryev, deputy chairman of the Russian central bank, said earlier that the government team at the negotiations had promised the IMF to get monthly inflation down to 7 per cent by end-1994. Monthly inflation fell to 9.9 per cent in February from January's 22 per cent.

At a news conference delayed for several hours, Mr Camdessus outlined a plan for putting lending to Russia back on track.

A policy programme to be submitted shortly would serve as the basis for an agreement between the IMF and Russia on the second drawing under the so-called systemic transformation facility, Mr Camdessus said.

This document would then be submitted to the IMF board for approval, clearing the way for the new funds.

"It's only a matter of a very few weeks," Mr Camdessus said. This should be followed by negotiations on a full stand-by loan for Russia.

Mr Camdessus said a draft 1994 budget submitted to parliament this month provided a sound foundation for Russia to continue its anti-inflationary policy.

The talks with the IMF have been nervously watched by Russia's western creditors, owed some \$80bn.

Russian officials say the government, frozen into inaction since the success of hardliners and conservatives in December's parliamentary polls and the resignations of key reformers, had

failed to convince the IMF that its budget was realistic. The draft budget envisages a deficit of 62.4 trillion roubles (\$36bn) or 9 per cent of gross domestic product.

News of the loan agreement came as allegations of a coup plot against Mr Boris Yeltsin and of his own falling health were being denied.

Mr Chernomyrdin said speculation on Mr Yeltsin's health was "insulting". According to Mr Yeltsin's press service, the Rus-

sian president has been officially sick for more than four weeks this year, and is still recuperating.

Mr Chernomyrdin had missed a meeting with Mr Camdessus on Monday to fly to the Black Sea resort of Sochi for unscheduled talks with Mr Yeltsin in the midst of a furor of allegations that a group of highly placed officials were prepared to strip Mr Yeltsin of power and name Mr Chernomyrdin as his successor.

Japan records worst annual economic growth since 1974

By William Dawkins in Tokyo

Japan's gross domestic product rose by only 0.1 per cent last year, the economy's worst performance since 1974, just after the first oil price shock.

The figures, announced by the government yesterday, follow a 2.2 per cent decline in the final quarter of 1993 compared with the same period in 1992. This fall was not as severe as the market had expected.

Private sector economists in Tokyo said the quarterly drop might be the bottom of an economic downturn which has lasted since mid-1991, the longest since the second world war. GDP rose by a revised 1.1 per cent in 1992, down from 4.3 per cent in the previous year.

The Economic Planning Agency, the government's official economic forecaster, was cautious yesterday.

There were bright signs, such as an increase in personal consumption, but it was too early to say whether the recession had

come out of the trough, said Mr Tsutomu Tanaka, the agency's vice-minister. The EPA's caution is understandable, given the criticism it attracted early last year, when it declared an upturn which proved to be wrong.

"This is at least the end of the decline, but there is still no sign of an upturn because of a continued decline in investment in plant and equipment and the

strength of the yen," said Mr Hirohiko Osumura, chief economist at Nomura Research Institute. "I am prepared to bet this is the bottom of the cycle," said Mr Jim Vestal, chief economist at Barclays de Zoete Wedd in Tokyo.

Mr Kozo Watanabe, acting secretary-general of the Japan Renewal party, which is the main influence on government economic policy, believed the economy would recover in the second half of this year to stabilise at a growth rate of about 3 per cent for the rest of the decade.

However, analysts warned that recovery prospects could be damaged by the political impasse over the 1994 budget, which may delay extra government spending and income tax cuts. Recent increases in Japan's long-term interest rates could also hamper recovery, warned Ms Mineko Sasaki-Smith, senior economist at Morgan Stanley in Tokyo.

Personal consumption rose by

Continued on Page 16

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FOUR SEASONS HOTELS

NEWS: EUROPE

Waigel pours scorn on SPD's tax plan

By Quentin Peel in Bonn

Mr Theo Waigel, the German finance minister, yesterday denounced the tax reform plans of the opposition Social Democrats as wrongly calculated and grossly extravagant, claiming they would lead to substantial tax increases for the great majority of taxpayers.

Seizing on the opposition plans for a fairer redistribution of taxation to pay for the cost of German unification, Mr Waigel plunged into the first real controversy of Germany's marathon election campaign with a welter of statistics, designed to terrify the country's property-owning middle classes, as well as average income-earners.

He said the new spending plans outlined in the election platform of the Social Democratic party (SPD) would add around DM60bn (£23.3bn) to the government's annual DM480bn budget, and prove impossible to finance from the present level of taxes and social insurance contributions.

SPD plans for a 10 per cent income tax surcharge on the better paid, instead of the current 7.5 per cent surcharge on

all taxpayers, would have to begin at income levels of DM44,000 a year to produce the same revenues, he declared. The SPD hopes of levying the surcharge on taxable incomes of DM50,000 for single earners, and DM100,000 for married couples, would leave a DM6bn shortfall.

He also singled out the SPD plans for increased taxation on property and savings as likely to add another burden of at least DM10bn on property-owners. "It wants to punish the top performers of our society through a considerable tightening of the tax system, although the top 10 per cent of taxpayers already pay more than 50 per cent of tax," Mr Waigel said.

Mr Waigel's predictable intervention reflects the delight of the ruling liberal-conservative coalition in Bonn at the potential electoral dynamite in the SPD tax plans, in spite of the fact that they are intended to be neutral in their overall effect.

Mr Rudolf Scharping, the SPD leader, admitted yesterday that his presentation of the plans last week might have been mistaken, by failing to make clear that the 10 per cent surcharge would affect taxable

income of DM50,000 and above, not gross incomes. The result has been a barrage of press criticism, and concern in his own party ranks, that the plans would affect many average income-earners.

He insisted that more than 80 per cent of all taxpayers would actually be relieved of the present planned 7.5 per cent "solidarity surcharge", and fewer than 20 per cent be forced to pay the higher rate.

As for increased wealth taxes, he said they would not be increased across-the-board, and would exempt private pension and life insurance policies, as well as business property. He also promised a review of the present tax on interest incomes, which has caused a huge flight of capital from Germany to neighbouring Luxembourg.

Mr Waigel said the SPD's proposals would drive investors to deposit billions of marks in foreign tax havens, undermining economic growth in Germany.

"What the SPD is presenting is an employment programme for Monaco, perhaps for Liechtenstein and parts of Switzerland, but certainly not for Germany," he said.

Time running out for EU image

The protracted enlargement voting dispute has a political price, writes David Gardner

The European Union's festering internal row over voting rights if it opens its doors to Austria, Sweden, Finland and Norway risks destroying already muted Euro-enthusiasm among the electorates of the applicant countries, all of which have to submit EU membership to a referendum.

The four putative newcomers have agreed hard-bargained entry terms. But their ministers now have to turn up in Brussels on an almost weekly basis, waiting in their embassies or hotels on the off-chance that the UK and Spain and their 10 partners can decide on how many countries should be entitled to block Euro-laws.

EU foreign ministers again failed to resolve this dispute yesterday, at the fourth time of asking.

Mr Douglas Hurd, the UK foreign secretary, increasingly uncomfortable with the hand he has been dealt, acknowledged yesterday that "there is time pressure". "We are well aware of the time-scale, but agreement requires movement by everybody," he said.

Mr Dick Spring, the Irish foreign minister, summed up well the mood of the EU majority, when he warned that



UK foreign secretary Douglas Hurd refuses to be pushed

Europe's reputation was being seriously damaged. "We are showing that we can't do our business properly, and we are creating a bad impression among the electorates of the applicant countries," he said.

A senior official from Fin-

land - the only applicant country which as of now has near majority opinion in favour of Europe - said: "We have to cut this off now and get on with the [membership] process."

In the minds of all the negotiators, there is concern that

the deadline for the four to enter in January next year is slipping away. In the minds of some, there is fear that this deadline is not academic - that it could cause a fatal loss of political momentum which could turn Nordic and Alpine voters against Europe, and that the Union would take a long time to recover from such self-inflicted wounds.

Deadlines on the Uruguay Round, on the European Economic Area free trade zone, and on previous enlargements, were missed without final mishap. The formal deadline at issue here is May 4, by when the European parliament must approve the accession treaty.

It says firmly it will not if the UK and Spain get their way in making it more difficult for the EU to take decisions. British and Spanish ministers profess to believe that if they can get a legal text on enlargement to parliament by about April 5, along with a compromise on majority voting which leans their way, EU expansion can go ahead as planned.

But there is more to reckon with. Senior parliament officials already say that even if the argument on voting rights goes their way, they doubt that the Strasbourg assembly

- up for re-election in June - would be willing or able to deliver approval in time. Many MEPs will be absent campaigning; about half are set to lose their seats and may not turn up; up to a third never turn up anyway.

The parliament received important new powers, including that of veto, under the Maastricht treaty, and remains the way the member states continue to treat it as a talking shop. The Socialist and Christian Democrat apparatuses who control the European assembly definitely hold a whip hand on enlargement, and are in a mood to demonstrate they are nobody's rubber stamp. But the longer the votes debate goes on, the less likely it is that parliamentarians in the 10 member states who oppose leaving the "blocking minority" on decision-making unchanged will endorse ratification.

Already Belgium and Holland have said that they will not get through a bill which enshrines quasi-veto powers for countries such as the UK.

"The longer you leave it, the more people are going to speak up on the other side," a Dutch diplomat warned yesterday. "And then you have a real political crisis."

France warns student rioters

By David Suchan in Paris and John Hidding in Toulouse

The Balladur government yesterday asked teachers to keep their students off the streets where they have been contesting a youth wage law and warned that if they did not, serious injuries might result.

But students in the south-eastern city of Lyons yesterday held their fourth demonstration in less than a week against the law. In its final version, published yesterday, it permits employers to pay unskilled young people 80 per cent of the national minimum wage for working 80 per cent of a normal 39-hour work week, with the other 20 per cent devoted to training. The gov-

ernment's aim is to make France's jobless young, numbering some 800,000 now, more employable.

Dozens of protesters have been arrested demonstrating against the measures in the past week and at least 19 have been sentenced in court to up to six months in jail.

During three days of demonstrations in Lyons, capped by pitched battles on Monday, 35 policemen were injured and 73 people detained.

In Nantes, 21 policemen were injured when about 300 young people broke away from an estimated 4,000 protesters and fought for more than four hours with police.

Mr Charles Pasqua, the interior minister, warned students not to let themselves be

manipulated by left-wing politicians and unions, adding: "It is the young people who will pay the price."

It was, in fact, an earlier version of the law, allowing employers to pay the same reduced wages to young people with university diplomas, that ignited the student revolt which has rumbled on despite the law's revision.

Ex-president Valéry Giscard d'Estaing, leader of the UDF party in the government coalition, yesterday criticised "the clumsy presentation" of the law, saying that its original version was "discouraging" to students.

Mr Michel Giraud, the labour minister, yesterday promised "early initiatives to help the country's youth. He said that he and prime minister Edouard

Balladur had been "incensed" by what he called "the political exploitation" of students' fears by trade unions and the Socialist and Communist parties.

But in Toulouse, a city with 100,000 students and the highest university population outside Paris, this political connection was discounted.

Professor Robert Marcomis, a teacher at Toulouse-Le Mirail university, said that, in contrast to 1968 when students seized control of part of Paris for nearly a month, "French students are more discouraged than politicised - more likely to be found reading *L'Equipe* [a sports paper] than *Le Monde*". But he added: "This is dangerous for the government because it is hard to know how to deal with it."

Croats and Serbs fail to agree Krajina ceasefire

By Laura Silber in Zagreb

The Croatian government and Serbs from the breakaway Croatian republic of Krajina yesterday failed to agree on a ceasefire which would start paving the way for an eventual peace treaty between Croatia and Serbia.

Talks in the Russian embassy in Zagreb, the Croatian capital, will continue today. They represent the highest level meeting for many months between the two sides, as well as the first attempt by the Russians to broker a ceasefire aimed at ending the three-year-old conflict between Serbs and Croats. The talks, hosted

by Mr Vitaly Churkin, Russia's special envoy to the former Yugoslavia, coincided with threats by Mr Franjo Tudjman, the president of Croatia, to use military force to assert control over Krajina.

The Krajina Serbs, backed by the Yugoslav army in June 1991, waged a war of secession against Croatia's moves towards independence.

The Serbian side called for Croatian troops to withdraw from Krajina, a swathe of territory which cuts across south-west Croatia.

For its part, the Croats insisted on asserting their authority over the region. Any substantial compromises, par-

ticularly by the Serbs would gradually lead to the gradual suspension of sanctions on Serbia.

Mr John Mills, the UN spokesman, yesterday called the closed-door meetings "detailed and purposeful". But he warned of a "growing impatience in the international community for solutions to be found in the regions".

Previous UN attempts to forge a settlement on the status of the Serbs in Croatia have failed. A ceasefire in January 1992, which called for the return of hundreds of thousands of refugees, was violated one year later when Croat forces pushed across UN lines.

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EUROPEAN NEWS DIGEST

British Steel to boycott talks

British Steel is to boycott a key meeting tonight between the European Commission and big European steel producers because it believes the Commission is taking too soft a line on state subsidies. British Steel has become exasperated about state subsidies following the heavily criticised December agreement under which state-owned producers in Spain, Germany and Italy received government subsidies worth Ecu6.8bn (£5.14bn) in return for capacity cuts of more than 5m tonnes.

Today's meeting is to discuss the progress of plans by non-aided producers in making voluntary cuts in capacity to help the industry reduce losses. The Commission has told producers that they will be withdrawn unless the steel companies come up with the capacity cuts by April.

Mr Martin Bangemann, industry commissioner, wants a further 2m-3m tonnes cuts in hot-rolled product capacity on top of 13m tonnes cuts already delivered and 4m tonnes promised. Mr Heinz Kriwet, chairman of Thyssen, the German steel producer, will also not attend today's meeting because of "scheduling difficulties". *Andrew Baxter*

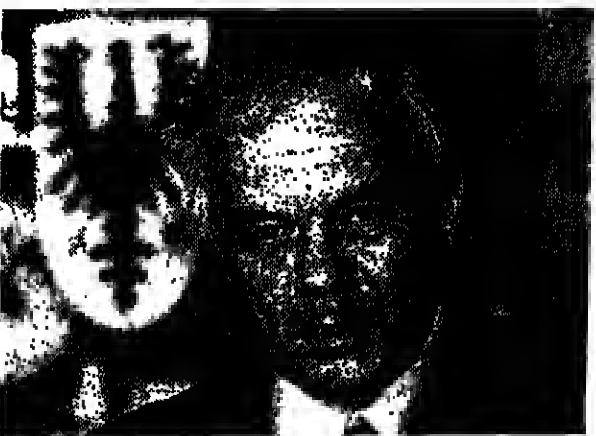
Three accused of insider trading

The first test of the Netherlands' 1989 insider-trading law began yesterday with the trial in Amsterdam of three Dutch investors and a brokerage house. The defendants - Mr Joep van den Nieuwenhuysen, Mr Eric Albada Jelgersma and Mr Leon Melchior - sold more than 4m shares in HCS, a computer company in which they were the main private shareholders, on July 31, 1991, the morning after they had met the company's bankers to discuss a F1.275m rescue plan.

Prosecutors say the shares were sold to depress HCS's share price in the expectation that the lower price would be used several days later to fix the price of a private share placement in which the three would participate. The defendants deny that a firm decision had been taken on the private placement. HCS, which later launched a rights issue, was declared bankrupt in 1992. *Ronald van de Krol, Amsterdam*

Brandenburg coalition falls

The tripartite centre-left coalition which has ruled Brandenburg since 1990 collapsed yesterday, amid allegations that Mr Manfred Stolpe, the state premier, had contacts with the east German Stasi. The Social Democratic party had threatened to oust the Alliance 90 party from the coalition unless its leader withdrew charges that Mr Stolpe had lied about his connections with the former secret police. Alliance 90 leader Mr Günter Nooke said he would not retract his comments. The



Stolpe: Stasi accusation splinters coalition

Social Democrats and the Free Democrats will now run a minority government until state elections on September 11. However, the two Alliance 90 ministers yesterday said they would quit their party and stay with the two-party coalition, which has 41 of the 88 seats in the state parliament. *Michael Lindemann, Bonn*

Talks 'mishap' sparks cod row

Denmark and Sweden have clashed over Baltic cod quotas following Sweden's accession negotiations with the European Union. Under the agreement, Sweden's share of the cod quota will rise from 35 to 40 per cent. Fishermen on the Danish island of Bornholm are urging Denmark to vote against Swedish EU membership unless they renounce the extra 5 per cent. But Mr Carl Bildt, the Swedish prime minister, said: "A deal is a deal." The extra quota was awarded to Sweden in the final, hectic phase of the negotiations, unknown to Danish negotiators. "It was a technical mishap," said Mr Niels Helveg Petersen, the Danish foreign minister. *Hilary Barnes, Copenhagen*

More Finns favour joining EU

Support for joining the European Union has strengthened in Finland since accession terms were agreed in Brussels earlier this month. A poll in yesterday's Helsinki Sanomat newspaper showed the "yes" vote rising to 42 per cent from 39 per cent last month, while opposition slipped to 57 per cent from 60 per cent. A referendum on joining is expected in September. In Norway, where the opposition is still well ahead, a poll showed support for the anti-EU Centre party had surged by 6.4 percentage points to 20.9 per cent since Norway reached its EU accession accord. *Hugh Carnegie, Stockholm*

Hungary sees record trade gap

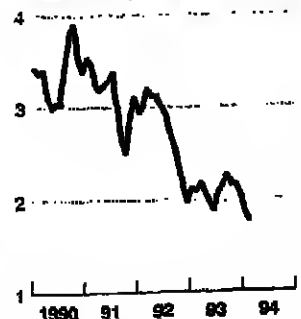
Hungary's current account saw a record deficit of \$3.45bn or 9 per cent of gross domestic product in 1993, but Mr Peter Bod, president of the National Bank of Hungary, said yesterday the shortfall was an indicator of economic recovery and forecast growth of 3.4 per cent in 1994. Exports, hit by drought, Yugoslav sanctions and German recession, fell 17 per cent in 1993. *Nicholas Denton, Budapest*

ECONOMIC WATCH

Jobs outlook poor, says minister

France: Inflation

Annual % change in consumer prices



Source: Datamonitor

Forecast French economic growth of 1.4 per cent this year was "not enough" to make an appreciable dent in unemployment, Mr Edmond Alphandery, the economics minister, said yesterday, but he believed the recovery "could be more vigorous than foreseen". Commenting on yesterday's price and trade figures, the minister said the 0.3 per cent rise in consumer prices in February showed France had little to fear from renewed inflation. The fall in the trade surplus to FF2.7bn (£300m) in January was only a correction from an abnormally high surplus of FF18.2bn in December. Exports rose at 4 per cent a year from October 1993 to January 1994, compared to a 3.6 per cent growth in imports.

■ The German social security budget reached a record DM1,063bn (\$413bn) in 1993, equivalent to a third of the total budget, although spending on social security in eastern Germany fell to 70 per cent of GNP from 73.1 in 1992.

■ Russia's grain harvest is forecast to fall to 90m tonnes this year, from 99m tonnes last year, but the country will not need to import grain for at least the next two years.

■ Italy's public sector deficit is heading for L160,000bn (\$84.8bn) in 1994, L16,000bn above target, due to a L10,000bn shortfall in tax revenues and over-spending.

No reformist spring on Ukraine farms

Jill Barshay tests the political climate in the countryside before parliamentary elections on Sunday

The only outspoken reformist candidate in Ukraine's poor farm village of Yaroslavlka, who promised to privatise the land and let the collective farm workers sell their sugar beets and milk to whomsoever they wanted, died in a car accident recently. He was travelling the poor roads that link the 80 isolated, backward villages in his electoral district, 90 miles north east of Kiev.

Of the district's seven remaining candidates in parliamentary elections next Sunday one is on the revived Communist party ticket and the other six are ex-party farm bosses or long-time local officials.

Last September when Ukraine's first post-independence elections were called, western diplomats and Ukraine's opposition press thought they would be the mechanism that would at last remove the entrenched Soviet legacy that has steered Ukraine to hyperinflation, a severe energy crisis, plummeting output and monthly wages of less than \$10. Now they are pessimistic.

Yaroslavlka is a typical Ukrainian village of 1,300 people, 70 per cent of them pensioners, whose lives are centered around the collective farm, formerly named Pro-Communism. People there do not easily trust new approaches even though their lives have lurched back to a primitive barter economy as the state is increasingly unable to provide.

"The old mentality lives on here," says Mr Mykhailo Yarmolenko, a Soviet master welder who built atomic power stations abroad and has retired to his family's birthplace. "People still expect the collective farm director to provide everything from roofing to their kids' lunches. They don't see another way."

Horse-drawn ploughs are used more and more as tractors break down. There are no replacement parts to be found. Public transport to the city was cut off a year ago. Candles are used more to cope with frequent blackouts which last for days. The single general goods store has been closed for weeks because there are no goods.

Personal backyard plots of beets and berries are the main source of

security for their families' meals. Instead of using Ukraine's worthless currency (\$1 gets you 39,000 karbovanets), home produce is bartered through informal networks of city friends and family who can bring matches or a warm sweater on a visit.

Mr Yarmolenko uses his welding skills for his contribution to the collective farm. The chairman wanted to pay him. "What money?" I said," recounts Mr Yarmolenko. "Give me a sack of flour instead for my wife to make blini (pancakes)."

Centuries of serfdom and starvation, whose apex was the artificial famine of the 1930s which wiped out 7m Ukrainian peasants, have made

Ukrainian peasants a stoic lot, who expect little of their government and are good at devising private strategies for survival. They distrust radical change, preferring the devil they know.

"I just don't believe that private farmers can feed the country," says head of the village council, Hryhori Boretz, a life-time communist official. "Only the state can provide the kind of massive investment our farm needs. A lone farmer couldn't do it by himself with just a horse and a plough." In this village, only two farmers have taken advantage of Ukraine's private land law to get their own farms.

"There are not enough young peo-

ple to take risks and responsibility," says Andrii Bezlyudny, who is in charge of the collective farm's animal breeding and mechanisation. (The collective farm's head was off on one of his regular trips to Kiev to beg for fuel needed for spring planting.)

"Right now all the bureaucrats are in charge of the processing factories where we send our grain and milk. They don't have any money to pay us, but they won't let go either because they'd be out of a job. They live off these factories."

On the front line of his farm's problems Mr Bezlyudny believes everything needs to be privatised, from the processing plants down. He is hoping for a new parliament.

THE TRAGEDY AND THE IRONY OF VILLAGE CONSERVATISM

To the amazement of outside observers Ukraine's election campaign is not being fought primarily on economic issues, writes Chrystia Pfend, East Europe correspondent. But, if Ukraine is to have any hope of averting the sort of disaster foreign experts predict, then the day after they take up their seats, the new MPs will have to face up to the issues they have been avoiding on the campaign trail.

On its own, Ukraine's economic plight is cause enough for serious international concern. Ukraine's macro-economic record - the worst in the former Soviet Union - is so dread-

ful that the beleaguered officials of the International Monetary Fund and the World Bank in Kiev have taken to raising their spirits by counting the inventive new ways Ukrainian officials are constantly discovering to destroy their economy.

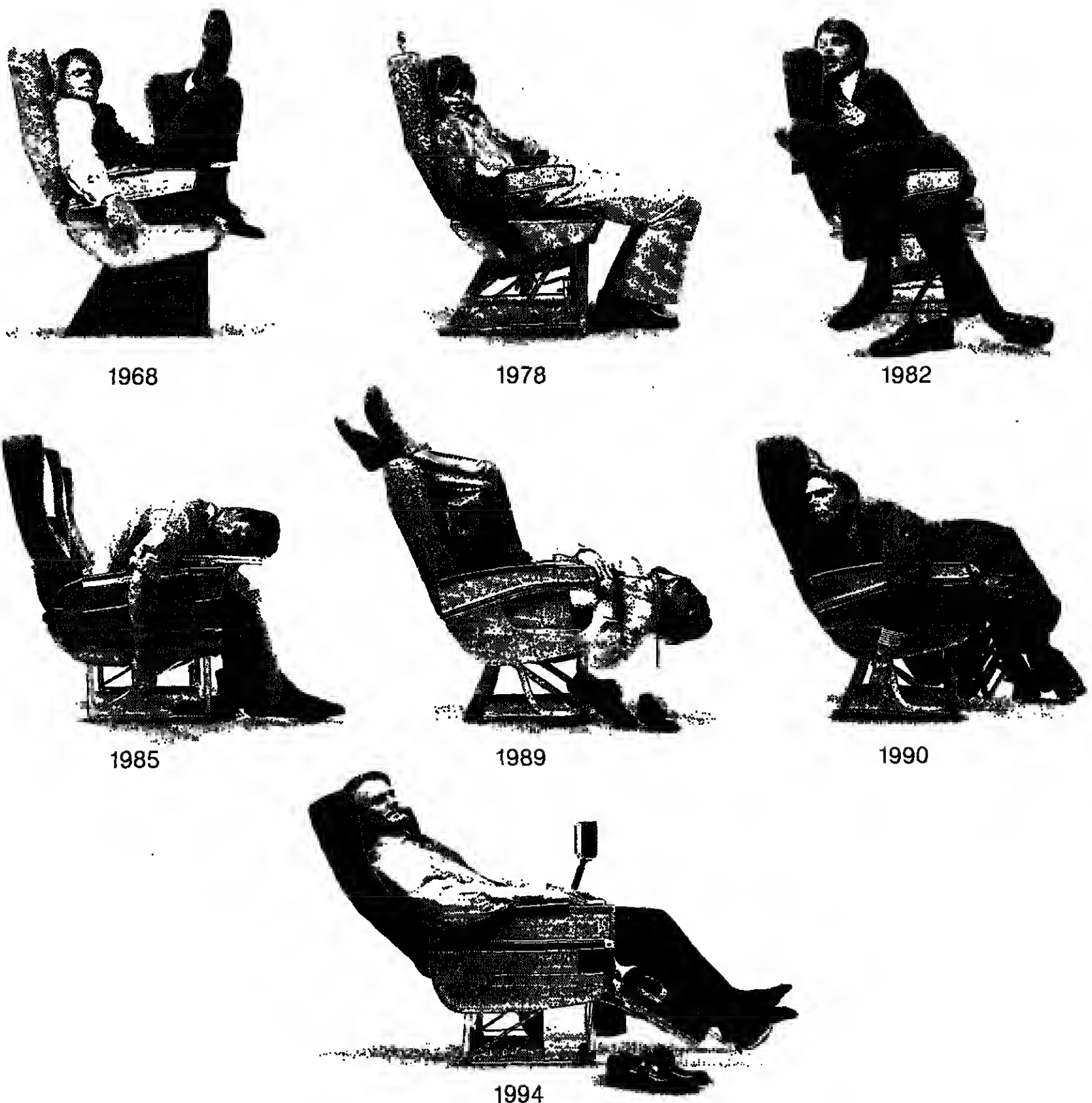
But what makes fragile Ukraine particularly important now is its increasingly hostile relationship with Russia. Russians - ranging across the political spectrum from Lenin to Solzhenitsyn - have always seen Ukraine as an integral part of "Greater Russia". As Russian foreign policy hardens in the aftermath of the elections there in December and

in reaction to Russia's own economic travails, Moscow's pressure on Kiev to re-submit to Russian rule has become stronger.

Ukraine's economic collapse makes it more difficult for Kiev to resist: at the same time, the nation's political determination to remain independent is growing stronger. This makes Ukraine a particularly volatile partner in what is already a tense relationship, hence the CIA's gloomy prediction earlier this year of a "probable" conflict between the two Slav giants.

It is in the cities, with their greater voting power, that the outcome of

Sleeping in Business Class. A brief history.



The global alliance of KLM and Northwest Airlines introduces World Business ClassSM, a whole new level of service that offers you a better choice of meals, the control of your own personal video system and the



comfort of more personal space... with nearly 50% more legroom and recline. More space than virtually any other world-wide airline. For reservations call your local travel agent, KLM or Northwest Airlines.

New Northwest KLM World Business Class.SM

So good you can sleep through it.

NEWS: WORLD TRADE

Japan 'trapped' by chip imports deal

Michio Nakamoto on the implications of latest semiconductor market figures

The apparently favourable figures for foreign share of the Japanese semiconductor market released last week have been greeted with both relief and resentment in Tokyo.

On the one hand, the 20.7 per cent market share for the last quarter of 1993 is welcomed as proof of the tremendous effort that Japanese semiconductor users have made to increase market access for foreign manufacturers since the US-Japan semiconductor arrangement in 1991.

"The industry has worked very hard (to that end) in the last quarter," says an official at the Electronics Industry Association of Japan.

At the same time, however, there is resentment at US pressure on Japan to ensure that "gradual and steady improvement in foreign market share continue throughout the duration of the arrangement," as Mr Mickey Kantor, US trade representative, said with the announcement of the fourth-quarter figures.

Mr Tadashi Sekimoto, chair-

man of the EIA, said recently that from the industry's point of view it would have been better not to have had the semiconductor agreement at all.

"We are troubled by the (20 per cent) figure which was an expectation but which has been turned into a target. If the agreement is to be continued we want the figure taken out."

Japanese industry sees it as an expectation turned into a target

Mr Sekimoto's is a personal opinion, but it is shared by many of those affected by the US-Japan semiconductor arrangement. "We all want to call it quits," says one Japanese industry member.

The resentment stems from what is seen as a no-win deal that has caught Japanese semiconductor users in a bind. If the aim of the arrangement to improve market access for foreign makers is not reached, Japan risks US threats of retaliation.

At the same time, however, if that goal is achieved it risks supporting the perception that targets work in Japan.

During the ill-fated framework negotiations, for example, under which the US had been asking for "objective criteria" in measuring progress in opening markets, the semiconductor arrangement was cited by US officials as an example

of how numerical targets could be successfully used to obtain results in Japan.

No matter how loudly Japanese officials state that there has never been any commitment on market share in the semiconductor arrangement - which notes - only Japanese government recognition that the US industry "expects that the foreign market share will grow to more than 20 per cent... by the end of 1993", few in the US

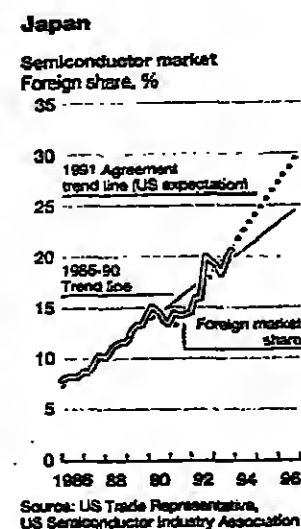
seem to heed their words.

Behind US pressure on the semiconductor issue is a misguided perception of how things work in Japan, laments one industry official. The ministry of international trade and industry has influence, but not enough to raise the foreign market share with a few tough words, he says.

Nevertheless, for the trade ministry as well, the bilateral arrangement has left little choice but to apply pressure on Japanese industry and achieve a target it does not officially recognise.

At the end of 1992, the key year in which foreign market share was expected by the US to reach 20 per cent, ministry officials pleaded with companies to pay foreign semiconductor users even if it meant they would have to throw them away later, according to one industry member.

While the share of foreign semiconductor in Japan did reach 20 per cent at the time, US pressure has far from diminished. Earlier this year, when the figure fell below 20



per cent for three consecutive quarters, the US requested an emergency consultation and asked Japan to adopt an action programme to stem the decline.

"It is strange for the US to ask us to adopt an action plan to boost imports when in fact

US suppliers have not always been able to meet Japanese demand due to a shortage of supplies," complains Mr Koji Matsui, deputy director of the industrial electronics division at the trade ministry.

Meanwhile, the US Semiconductor Industry Association has said it believes the foreign semiconductor share will reach between 25 and 30 per cent by 1995. The Japanese industry is worried the US might again take this figure as a target and press Japan to achieve it.

The concern in Japan is that, with a mid-term review of the semiconductor arrangement due by the end of July this year, and against the background of frustration over the stalled framework negotiations, the US may seek to win greater commitments to semiconductor trade, including a government guarantee of market share.

Some in the trade ministry believe that unless it can be made clear that the semiconductor arrangement has no market share commitment, the deal itself should be scrapped.

US rocks shipbuilding subsidy talks

By Guy de Jonquieres, Business Editor

An unexpected shift of position by the US has thrown into disarray international negotiations aimed at reducing shipbuilding subsidies, just as other countries had offered concessions removing some of the biggest obstacles to agreement.

The US surprised other delegations at talks at the Organisation for Economic Co-operation and Development in Paris last week by insisting on the freedom to require that ships financed by its export credit schemes be built in US yards.

Though such "home-build" provisions are a normal feature of most export credit schemes, the demand that they be formalised in a legal requirement is seen by other delegations as an attempt to establish a principle which is both unacceptable and contrary to the purpose of the negotiations.

The US demand followed important concessions at last week's meeting by Japan and South Korea, which had been widely regarded as taking the most inflexible positions in the five-year-long talks.

The two countries finally agreed to the establishment of an international anti-dumping code for ships, to prevent "injurious pricing". Substantial progress has also been made on the detailed provisions of such a code.

In addition, Japan has agreed to modify the terms of shipbuilding credits provided by the Japan Development Bank, to bring them into line with tighter restrictions on financing demanded by the US.

However, because a success-

ful outcome of the negotiations depends on a complex package deal, these concessions could be put in jeopardy if the last-minute US shift makes overall agreement impossible.

The latest turn of events creates a particularly awkward problem for the European Union. The Commission is expected to take a firm line with the US, because it sees an agreement in the OECD as essential to its efforts to phase out national shipbuilding subsidies in Europe.

There is a danger that the US demands could undermine EU cohesion on the issue if some shipbuilding industries and member governments, particularly in southern Europe, seize on them as a pretext to press for a relaxation of national subsidy rules.

A further obstacle to agreement is the US refusal to negotiate a repeat of the Jones Act, which requires that a fixed proportion of cargo passing through US ports be carried in US-registered ships. However, it is thought that a way could be found around this problem by gradually relaxing the application of the act.

Prospects for breaking the deadlock will depend on a report being drawn by Mr Stefan Solhman, Sweden's ambassador to the OECD, who is chairing the talks. If he believes scope for compromise remains, he will reconvene the negotiations, probably late next month.

The negotiations, which were originally instituted under pressure from the US, involve the largest shipbuilding countries. They also include Finland, Norway and Sweden.

INFORMATION FROM THE BANK OF ENGLAND



BID PRICE AUCTION FOR £2,500,000,000

FLOATING RATE TREASURY STOCK 1999

INTEREST PAYABLE QUARTERLY AT LIBID LESS 1/8%
AT A MINIMUM PRICE OF £99.50 PER £100 NOMINAL OF STOCK

PAYABLE IN FULL WITH APPLICATION

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Applications for bids for the Stock to the London Stock Exchange for the Stock to be admitted to the Official List on 31 March 1994.

- THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.
- The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
- The Stock will be repaid at par on the interest payment date (as defined in paragraph 10 below) falling in March 1999.
- Applications must be for not less than £50,000 nominal of Stock.
- The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable by instrument in writing in accordance with the Stock Transfer Act 1963 and the relevant subordinate legislation. Transfers will be free of stamp duty.

Interest will be payable quarterly in accordance with paragraph 10 below. Interest warrants will be transmitted by post.

- Pursuant to a direction of Her Majesty's Treasury under Section 50 of the Income and Corporation Taxes Act 1988, interest on the Stock will be paid without deduction for or on account of United Kingdom income tax. However, the interest has a United Kingdom source and therefore may be chargeable to United Kingdom tax by direct assessment.
- The Stock will be issued by Her Majesty's Treasury with the conditions that:
 - so long as Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom, the interest thereon shall be exempt from income tax; and
 - so long as Stock is in the beneficial ownership of persons who are neither ordinarily resident in the United Kingdom, neither the capital nor the interest thereon shall be liable to any taxation present or future.

For these purposes, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

These exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the availability of these exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it fails to be treated for the purposes of the Income Tax Act as income of any person resident or ordinarily resident in the United Kingdom.

- In addition, the interest received has confirmed that, on the basis of a long-standing practice, interest on the Stock will not be chargeable to United Kingdom tax in the hands of a stockholder who is not at any time in the relevant tax year resident in the United Kingdom, except where such stockholder:
 - is chargeable under Section 78 of the Taxation of Chargeable Gains Act 1992 in the name of a trustee or other representative mentioned in Section 72 of that Act or in the name of an agent or branch in the United Kingdom having the management or control of the interest; or
 - works to claim relief in respect of taxed income from United Kingdom sources; or
 - is chargeable to corporation tax on the income of a United Kingdom branch or agency (as defined in the Finance Act 1998) in which the interest is received; or
 - is chargeable to income tax on the profits of a trade carried on in the United Kingdom to which the interest is attributable.

Interest Payment Dates

(1) Interest will accrue from 31 March 1994 (the issue date) and each interest will be payable on 31 June 1994 and on each date thereafter which (except as stated below) falls three months after the preceding interest payment date (each such date being an "interest payment date"). If any interest payment date would otherwise fall on a day which is not a business day (as defined below) it shall be postponed to the next business day unless it would thereby fall in the next calendar month, in which event that interest payment date shall be the immediately preceding business day and each subsequent interest payment date shall be the last business day of the third month after the month in which the preceding interest payment date fell. In this paragraph the period from (and including) one interest payment date (or the issue date (but excluding) the week (or first) interest payment date is called an "interest period" and "business day" means a day (other than Saturday or Sunday) on which banks are open for business in London.

Rate of Interest

(1) The rate of interest per annum payable in respect of the Stock for each interest period shall be 1/8% below the rate per annum determined by the Bank of England to be the arithmetic mean (rounded if necessary to the nearest fifth decimal place) of the rates at which three month deposits in sterling are bid as at 11.00 am on each interest determination date (as described in paragraph 14 below) (by the twenty reference banks referred to in paragraph 12 below), provided that (i) if sixteen or more such quotations are available, the five highest (or, if there are more than five such highest rates, only five of such rates) and the five lowest (or, if there are more than five such lowest rates, only five of such rates) shall be disregarded by the Bank of England for the purposes of determining such arithmetic mean; (ii) if fewer than eight such quotations are available, the two highest (or, if there are more than two such highest rates, only two of such rates) and the two lowest (or, if there are more than two such lowest rates, only two of such rates) shall be disregarded by the Bank of England for the purposes of determining such arithmetic mean; (iii) if fewer than nine such quotations are available, the Bank of England shall request quotations of the rates at which three month deposits in sterling are bid at 11.00 am on the interest determination date by such other banks as the Bank of England shall select; if practicable consulting Her Majesty's Treasury, so that (ii) above may be applied. If the rate of interest cannot be determined in accordance with the foregoing provisions the rate of interest shall be that established on the last preceding interest determination date.

(2) For the purposes of paragraph 11 above the reference banks shall be the twenty authorised institutions, within the meaning of the Banking Act 1987, which, disregarding any excluded institutions referred to below, had outstanding at the 31 December immediately preceding the relevant interest determination date the largest sterling eligible liabilities as determined by the Bank of England. For this purpose there shall be excluded any institution which is a wholly-owned subsidiary of another institution if that other institution itself is, or will be by reason of such exclusion, a reference bank.

Publication of Rate of Interest per annum and Coupon Amounts

(1) The Bank of England will, as soon as practicable after 11.00 am on each interest determination date, determine the rate of interest per annum and calculate the amount of interest payable per £100 nominal of Stock (the "interest amount") for the relevant interest period, and will publish both figures. The interest amount will be calculated by applying the rate of interest per annum for £100 nominal of Stock, multiplying such product by the actual number of days in the interest period concerned divided by 365 and rounding the resulting figure to the nearest fourth decimal place. The Bank of England's determination of the rate of interest and the interest amount shall be final and binding upon all parties.

(2) The rate of interest for the first interest period will be set on Wednesday, 23 March 1994 as described in paragraph 11 above. Thereafter the interest determination date will be the first business day of each interest period.

Method of Application

(1) Bids must be submitted on the application form published with the prospectus. Application forms must be sent to the Bank of England, New Street, PO Box 444, Gloucester, GL1 1NP to arrive not later than 18.00 AM ON TUESDAY, 29 MARCH 1994. Bids must be received by the Bank of England, New Street, PO Box 444, Gloucester, GL1 1NP to arrive not later than 18.00 AM ON WEDNESDAY, 30 MARCH 1994; or lodged by hand at any of the Branches or Agencies of the Bank of England, at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Colles Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange in the United Kingdom.

(2) Each bid must be for one amount and for a minimum of £50,000 nominal of Stock and for a multiple of Stock as follows:

Amount of Stock applied for	Multiple
£50,000-£1,000,000	£50,000
£1,000,000 or greater	£1,000,000

(3) The minimum price, below which bids will not be accepted, is £99.50 per £100 nominal of Stock. Bids below this minimum price or at a higher price which are multiples of one penny. Bids lodged without a price being stated will be deemed to have been made at the minimum price.

(4) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT IN FULL AT THE PRICE BID must accompany each bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(5) The Bank of England reserves the right to reject any bid or part of any bid. Bids will be ranked in descending order of price and Stock will be sold to applicants whose bids are at or above the lowest price at which the Bank of England is able to dispose of the entire amount of the Stock. Bids accepted at a price which will be less than the minimum price. APPLICANTS WHOSE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES AT WHICH THEY BID. Bids which are accepted at a price which is at or above the lowest accepted price will be satisfied in full; bids which are accepted at a price which is below the lowest accepted price will be satisfied in full or in part.

(6) The Bank of England may sell to applicants less than the full amount of the Stock.

(7) The Stock will be initially issued at a price and on terms such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988 or a deep gain security for the purposes of Schedule 11 to the Finance Act 1989. Further issues of the Stock may be at a deep discount (hereby a discount exceeding 1/8% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as such a security. However, it is the intention of Her Majesty's Treasury that further issues of Stock will be confined so as to prevent any of the Stock being treated as a deep discount security or a deep gain security for the purposes of the relevant provisions.

(8) No sale will be made of a less amount than £50,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when returned, be retained by the Bank of England for the account of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling (LIBOR) plus 1/8% per annum may, however, be charged on the amount paid in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment. For LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

(9) Letters of allotment may be split into denominations of multiples of £50,000 on written request to the Bank of England, New Street, Gloucester, GL1 1NP received not later than 5 April 1994. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registration (forwarded and in any case must be lodged for registration not later than 5 April 1994) in the case of Stock held for the account of members of the CGO Service registration of Stock will be effected under separate arrangements.

(10) Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section 6 of the application form, request that any Stock sold to him be credited direct to his account in the CGO Service. Such Stock will be issued by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 31 March 1994 shall for the purposes of this prospectus constitute default in the payment of the amount payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, nominate a letter of allotment to the CGO for cancellation and for the

Stock comprised therein to be credited to the member's account. The member who is shown by the account of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock.

(11) Application forms and copies of the prospectus may be obtained by post from the Bank of England, New Street, Gloucester, GL1 1NP; or by hand from the Bank of England, 1 Bank Buildings, Priory Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Colles Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange in the United Kingdom.

Government Securities

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1993 which states that, in the event of the issue of floating rate Treasury Stock, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND

LONDON

22 March 1994

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus dated 22 March 1994 as follows:

Nominal amount of Floating Rate Treasury Stock, 1999 applied for: £50,000, £1,000,000, or greater

Price bid per £100 nominal of Stock, being a multiple of one penny, and NOT exceeding the LIBID MINIMUM PRICE OF £99.50 PER £100 NOMINAL OF STOCK:

Sum enclosed (or, being the amount required for payment IN FULL AT THE PRICE BID (or) for every £100 NOMINAL of Stock applied for:

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER: Tel No.

Name of contact:

I/We request that any letter of allotment in respect of Stock sold to me/us be sent by post at my/our risk to me/us at the address shown below:

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION B, we request that any Stock allocated to us be credited direct to our account at the Central Gilts Office.

We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the Central Gilts Office Service from the Governor and Company of the Bank of England, Number 2 Account Participant number 11873 by the deadline for such deliveries on 31 March 1994, and we agree that the consideration to be paid in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

SIGNATURE(S) of, or on behalf of, applicant:

PLEASE USE BLOCK CAPITALS

FORNAMES IN FULL SURNAME

INITIALS MISS/MRS

FULL POSTAL ADDRESS

TOWN COUNTRY POSTCODE

(1) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues" and must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(2) The procedure for any refund, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW STREET, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 30 MARCH 1994; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON EC2R 8EU; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 29 MARCH 1994.

Gatt draft Financial ready to eco-issues services demand

By Frances Williams in Geneva

Trade negotiators yesterday agreed the broad outlines of a work programme on trade and the environment to be carried out by the General Agreement on Tariffs and Trade and its successor, the World Trade Organisation.

The draft document, to be approved by ministers when they meet next month in Marrakesh to sign the Uruguay Round trade accords, establishes a committee on trade and environment with an initial two-year life-span. Further extension of the committee's mandate will be discussed at the first WTO ministerial conference in 1996.

The draft strikes a compromise between industrialised countries, notably the US, which wanted a permanent committee, and some developing nations which wanted to give it a fixed term.

The committee, to be set up shortly after the Marrakesh meeting, will have broad terms of reference which stress the need to make trade and environment policies mutually supportive.

The document outlines seven categories of issues the committee may explore. These include the impact on market access of environmental measures and whether fair trade rules need to be modified to accommodate multilateral environmental agreements with trade provisions.

Trade officials said yesterday the document was drafted broadly enough to encompass any trade-related environmental issue, including such controversial areas as "processing and production methods" (discriminating between products according to how they are produced) and "eco-dumping" (allegedly unfair competition from countries with low environmental standards). However, they expect the committee to start with less emotive issues such as eco-labelling.

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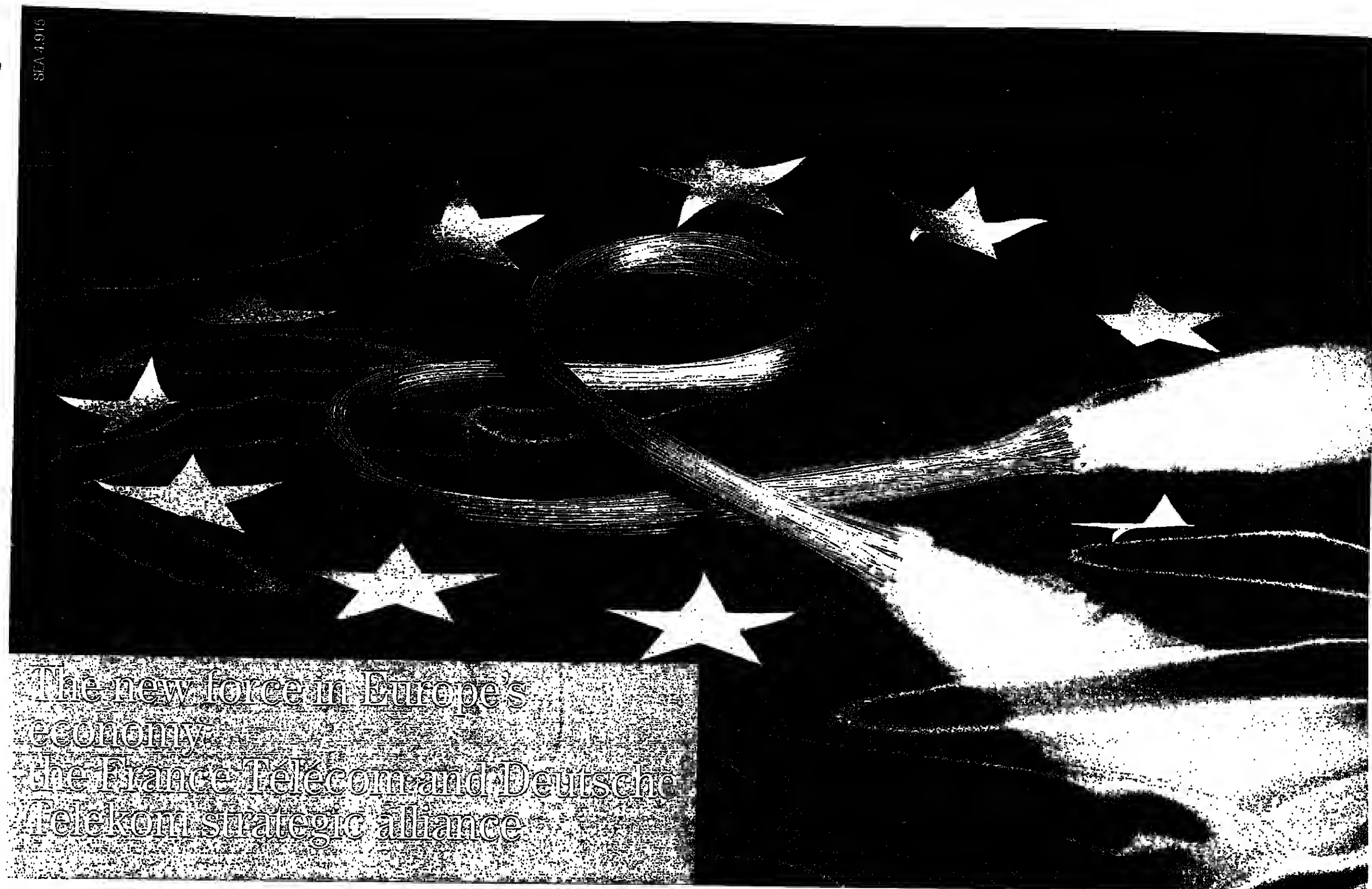
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rocks
building
idly talk



The new force in Europe's
economy:
the France Télécom and Deutsche
Telekom strategic alliance

Financial
services
demand

Two of Europe's most important telecommunications companies, France Télécom and Deutsche Telekom, are now extending their current joint activities to the global stage. This strategic alliance is a European response to the challenges posed by a completely altered and increasing competitive world market. Challenges that every industrial nation in Europe must, in particular, face up to.

This alliance positions both companies as global, high-tech service providers in a key technology area. Along with its closely related information technology, telecommunications is an indispensable cornerstone technology and driving force in virtually every high-tech industry, in chip manufacture, opto-electronics, software development and many more. Today, no other technology plays such a vital role in a nation's ability to compete and, therefore, to create employment and generate prosperity.

Above all, the alliance will be able to offer international companies and business customers with a strong European presence the advantage of fast, economical one-source delivery of the very latest telecommunications technologies. In particular, the competitiveness of European companies in the international marketplace will be significantly enhanced.

By so doing, this new Franco-German alliance will also be making a powerful contribution to greater European-wide cultural and market harmonisation, to new jobs creation in many areas of industry, and – not least – to safeguarding Europe's position in the global market.

NEWS: INTERNATIONAL

Nazarbayev wants pipeline to go ahead through Turkey

Kazakhs deny Russia gas and oil stakes

By Chrystie Freeland and Robert Corzine

President Nursultan Nazarbayev of Kazakhstan yesterday said his country would not give Russia equity stakes in either the Tengiz oil project or the Karachaganak gas field being developed in Kazakhstan by western companies.

Russia, which controls the export routes for the two developments, has been insisting on equity in the fields rather than being paid a tariff.

"Russia will not get an equity share in Tengiz or Karachaganak," Mr Nazarbayev said yesterday. He added that on March 28 he was due to meet Russian leaders in Moscow to discuss these and other economic disputes between the two republics.

Mr Nazarbayev's statements contradict the views of western businessmen in Alma Ata who believe Kazakhstan is on the verge of conceding equity in the two fields to Russia. Tengiz, which is being developed by Chevron of the US, is producing oil for export. But Chevron has been plagued by disputes with Russia over the effect on pipelines of contaminants in the oil and the route of new pipelines.

Karachaganak, which is some way from the export state, is being developed by British Gas and Agip of Italy. They have been watching Chevron's troubles closely.

Mr Nazarbayev said yesterday that Kazakhstan was serious about plans to construct an export pipeline south through Turkey. But this would only be built after a joint Russian-Kazakh project to build a pipeline from the Caspian to a Russian port on the Black Sea.

Together, Mr Nazarbayev's statements indicate an increasing determination on the part of the Kazakh leadership to lessen the ties which have permitted Russia to exert its economic domination.

Kazakhstan has complained

that many Russian refineries, upon which it is dependent, refused during the recent severe winter to ship back refined products to Kazakh suppliers of crude oil. Russian buyers of Kazakh coal were also late in making payments.

Mr Nazarbayev, who, after the collapse of the Soviet Union, was one of the most ardent backers of closer integration among former Soviet republics, is taking a more independent line now that "co-operation" is taking the form of Russian domination.

He was furious when the country was ejected from the ruble zone last autumn. Yesterday he rejected the notion of recreating the zone, describing it as "a deluded dream".

Mr Nazarbayev also opposed deployment of Russian-only peacekeeping forces in troubled former Soviet republics.

He warned of headline tendencies in Moscow and said the time had come for Russians to reconcile themselves to the existence of truly independent neighbours - a process he believes is only beginning.

"There are certainly some political overtones [in Russia's economic treatment of Kazakhstan]," Mr Nazarbayev said.

"These are growing pains. We are just now beginning to learn how to treat each other as fully sovereign, independent states."

● Russia has reached agreement with Azerbaijan to grant a 10 per cent stake in a multi-billion dollar oil deal in the Caspian Sea to Lukoil, Russia's largest semi-independent oil company, a Lukoil spokesman in Moscow said yesterday.

The Lukoil share will come from the 25 per cent stake in the development of the project held by the state oil company of Azerbaijan. A group of western oil companies led by British Petroleum are responsible for 75 per cent of the eventual development costs. Profits are expected to be shared out on a basis of 80 per cent for Socar and 20 per cent for the western group.

N Korea miscalculates in row with South



North and South Korean officials (left) in December 1991 reaching a peace deal which led in 1992 to cancellation of annual US-South Korean Team Spirit exercises (right), revived the next year



The US and Seoul are now more determined to stand together, writes John Burton

Two years ago, there was optimism that North and South Korea were on the path to reconciliation and eventual peaceful unification. Events have gone horribly wrong since then.

Relations have deteriorated to the point where the threat of a military confrontation on the Korean peninsula has become a frightening possibility. That did not appear so at the end of 1991, when the US, North Korea and South Korea began to implement a three-way deal to defuse nuclear tensions.

The US agreed to pull out its tactical nuclear weapons from South Korea. This persuaded North Korea to sign a non-nuclear pact and a non-aggression treaty with South Korea.

The US responded by holding a high-level meeting with North Korea and cancelling its Team Spirit military exercise in South Korea for 1992. In return, North Korea agreed to start allowing the International Atomic Energy Agency to inspect its nuclear facilities at Yongbyon.

Things became unstuck in the summer of 1992 as the two Koreas negotiated implementing their non-nuclear pact. Seoul demanded North Korea accept challenge or spot inspections of suspected nuclear facilities in compliance with the treaty. Pyongyang

refused, blocking progress in the inter-Korean talks.

One problem was that the treaty language governing spot-inspections was ambiguous. "The wording in the treaty was poorly drafted," admits one senior South Korean foreign ministry official.

Seoul first offered aid to help rescue North Korea's struggling economy if Pyongyang accepted spot-inspections. When that offer proved fruitless, it put on pressure in the late autumn of 1992 by asking the US to resume the Team Spirit exercise in 1993.

Pyongyang had routinely condemned previous Team Spirit exercises as a rehearsal for a possible attack against North Korea. It also viewed the resumption of Team Spirit in 1993 as the US reneging on its promise to halt the exercise if North Korea accepted IAEA inspections. Pyongyang proved increasingly intransigent, and it is likely the incident reinforced its distrust of the intentions of the US and South Korea.

"The holding of Team Spirit '93 was a terrible mistake," said Mr William Taylor, a prominent North Korea analyst and vice-chairman of the Center for Strategic and International Studies in Washington. "It has taken us another year to repair the damage and

try to get things back on course."

Another factor adding to Pyongyang's anxiety was that the staging of Team Spirit in March 1993 occurred shortly before the expiry of a deadline set by the IAEA for it to be allowed to inspect two unreported facilities believed to contain nuclear waste.

Examination of the waste material might confirm IAEA suspicions that North Korea had produced more bomb-grade plutonium than it had declared after shutting down its small SMW reactor in 1993. The US Central Intelligence Agency estimated the North could have extracted enough plutonium to make one or two crude nuclear devices.

On March 12, 1993, Pyongyang announced it was withdrawing from the Nuclear Non-Proliferation Treaty (NPT), the first country to do so. It explained it was taking the action in response to Team Spirit and the IAEA special inspection demand, which it described as a "seditious political machination aimed at forcing us to open military objects and bases, thereby leaving us disarmed militarily."

If it agreed to the IAEA demand, North Korea said this would create a precedent for accepting similar spot inspec-

tions by South Korea.

Many observers concluded North Korea wanted to drop out of the NPT because it feared the IAEA was close to discovering Pyongyang was indeed developing nuclear weapons despite its denials.

North Korea is committed to producing a nuclear weapon because Pyongyang views it as the ultimate guarantee against the country's absorption by the South, according to these analysts. But the prevalent theory in Seoul has been that North Korea was using its threat of NPT withdrawal and the blocking of international inspections in a desperate attempt to win concessions.

These would include gaining diplomatic recognition and economic aid from the US and Japan, reversing the diplomatic defeat North Korea suffered when China and Russia, its two oldest allies, established relations with South Korea in the early 1990s. The North has also been seeking the right to inspect US military bases in South Korea, a promise by the US not to attack North Korea, and the permanent suspension of Team Spirit.

The view that the North was playing the nuclear card for diplomatic purposes gained support last summer when it agreed to suspend its NPT

withdrawal in return for the promise of improved ties with the US in the future.

Since then, negotiations on the nuclear dispute have focused on a package deal in which the US would again suspend Team Spirit and hold a new round of talks with North Korea on possible diplomatic recognition, if Pyongyang agreed to allow unrestricted regular inspections by the IAEA and pursue its talks with South Korea on mutual nuclear inspections.

This would have paved the way for a second stage of negotiations in which the US might have finally offered to normalise relations with Pyongyang if it accepted spot inspections by the IAEA. But the North has remained stubborn on two points in concluding the initial package deal.

Apparently fearing that the US would not fulfil its end of the bargain, it has insisted Washington make simultaneous concessions in any trade-off with Pyongyang. The US and South Korea, equally distrustful of North Korea, have demanded Pyongyang make the first steps in the fulfilment of any agreement.

The North apparently made a concession in this regard recently when it agreed to allow an IAEA inspection team into Yongbyon on condition that the US would suspend Team Spirit if the results proved satisfactory.

But the North's subsequent refusal to allow the IAEA to carry out crucial tests after completing at least 80 per cent of its inspections might have been an attempt to retain "leverage" in its dealings with the US on Team Spirit, South Korean officials say.

The North has also proved reluctant in dealing with the South in the negotiations over mutual nuclear inspections. "North Korea obviously wants to pursue its policy of improving relations with the US while delaying inter-Korean dialogue, with the eventual aim of eliminating Seoul's links with the US," Mr Chung Jong-uk, national security adviser to South Korea's President Kim Young-sam, said.

The North might have been hoping to play off Seoul against Washington in an attempt to improve its bargaining position and win new concessions.

But if the North believed it could exploit such differences, it has badly miscalculated after it broke off talks with the South last weekend. It has angered the South and the US and strengthened their co-operation and determination in confronting the North.

Accord postponed in Somalia

By Leslie Crawford in Nairobi

Somalia's rival warlords yesterday postponed a ceremony of national reconciliation for the second time this week.

The postponement is an embarrassment to the UN, which has been sponsoring the negotiations in Nairobi in the hope of reaching a political settlement before US troops complete their withdrawal on Friday. The departure of US and European peacekeepers has been triggered in part by the unwillingness of rival Somali clans to make peace.

At issue is how 15 different clans and numerous sub-clans are to share power in a future Somalia government. The struggle for hegemony has destroyed Somalia's civil institutions and placed the country in the hands of gunmen.

The year-old UN Operation in Somalia (Unosom) has been unable to enforce peace. Western diplomats say the country has exhausted patience and willingness to help.

Mr George Bennett, Unosom spokesman, said the reconciliation ceremony had been cancelled because the 15 participating Somali factions could not agree on who should be a signatory to the agreement, which includes a power-sharing arrangement for a national government.

The reconciliation ceremony has been rescheduled for today. "The Somali factions realise international opinion is highly critical of them and that the West is disengaging," Mr Bennett said. "We hope this time they will abide by their declarations."

Nigeria cancels land deals

By Paul Adams in Lagos

Nigeria's military regime has cancelled last year's allocations of land to top members of the government, in an effort to prove it is dealing with corruption at all levels of officialdom.

Gen Sani Abacha, head of state, and his number two, Lt-Gen Odiropo Diya, were among 130 prominent Nigerians including cabinet ministers and top military officers allocated plots of prime land for less than one-tenth of their market value by former president Gen Ibrahim Babangida after he annulled last June's presidential elections.

When the private property developers who claim to own the land took legal action, the government tried to justify the move last September by producing a backdated decree which, in turn, threatened all land tenure on Nigeria's coastal land. The trial was due to come before the high court on April 26.

"It is not clear who will repay the money for the plots or whether they are withdrawing from next month's court case," a spokesman for the developer said yesterday.

The land scandal has damaged the claim by Gen Abacha, who seized power in November, to root out the corruption of the Babangida regime. Information minister Jerry Gana intends next month to launch a "war against indiscipline and corruption".

The government plans to investigate the oil and other state industries, the central bank, the judiciary and the police, but not the armed forces.

Japan looks at options for Pyongyang sanctions

By William Dawkins

Japanese government departments and agencies are considering the prospect of measures against North Korea if the United Nations Security Council adopts sanctions, Tokyo said yesterday.

The move, revealed by Mr Masayoshi Takemura, chief cabinet secretary, marks Tokyo's growing alarm over North Korea's defiance of international pressure to open its nuclear

sites to full inspections. Pyongyang's suspected development of missiles capable of reaching Japan, with or without nuclear warheads, has heightened public anxiety.

Until recently, Japan shared China's reluctance to consider economic penalties, for fear of further isolating Pyongyang's unpredictable leaders. But Prime Minister Morihiro Hosokawa told US President Bill Clinton

at their summit last month that Tokyo would take part in sanctions if the Security Council called for them.

Official Japanese exports to North Korea totalled \$250m (£148m) in 1991, making it the country's second largest trade partner after China, according to the Japan External Trade Organisation. But North Korea's living in Japan are estimated to remit another \$600m a year in cash.

The possibility of sanctions puts more pressure on the Japanese government to curb unofficial remittances to North Korea, a sensitive political problem.

Support for the North Korean regime from the Social Democratic Party, the largest member of Mr Hosokawa's seven-party coalition, has declined since last year's visit to discuss US deployment of Patriot missiles in South Korea and timing of US-South Korean military exercises.

analysts believe North Koreans in Japan are generous contributors to Socialist election funds.

North Korea's suspected nuclear weapons programme will be on the agenda when South Korea's President Kim Young-sam meets Mr Hosokawa tomorrow, at the start of a three-day visit to Japan. They are also expected to discuss US deployment of Patriot missiles in South Korea and timing of US-South Korean military exercises.

Israeli and PLO negotiators to continue talks in Cairo

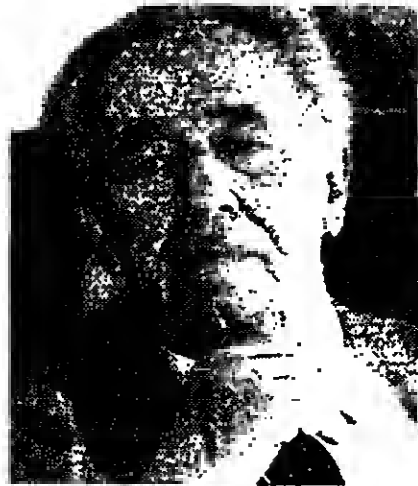
By David Horowitz in Jerusalem and Mark Nicholson in Cairo

Israeli and PLO peace negotiators are to meet again today in Cairo, having failed during two days of talks in Tunis to agree conditions for resuming peace talks on Palestinian autonomy suspended following last month's Hebron mosque massacre.

The stumbling blocks appear to be Israel's refusal to allow an armed international force to be deployed in the occupied territories to protect Palestinians, and its rejection of PLO demands for the evacuation of the 400 Jewish settlers who live in the heart of Arab Hebron.

Israel's foreign minister, Mr Shimon Peres, usually optimistic where Middle East peace prospects are concerned, seemed downhearted yesterday, speaking of the "many obstacles" to be overcome before talks could resume. He firmly ruled out any prospect of a summit meeting soon between Mr Yitzhak Rabin, prime minister, and Mr Yasir Arafat, the PLO chairman - that would signal the negotiations were back on track.

The US peace talks co-ordinator, Mr Dennis Ross, and Mr Teje Rod Larsen, Norway's foreign ministry envoy, both of whom tried to help mediate a breakthrough in Tunis, flew to Cairo yesterday in anticipation of today's talks. According



Peres: seemed downhearted

to Israeli and Palestinian sources, the two sides did agree on certain aspects of a Norwegian proposal, for the temporary deployment of international observers in Gaza, Jericho and Hebron, but the PLO insisted that these observers be armed, a proposal Israel rejected.

Norway yesterday called for an emergency meeting of more than 20 donor

countries, also to be held in Cairo tomorrow, to discuss arrangements for a Palestinian police force, originally intended to take over from Israeli forces after their eventual withdrawal. The donor countries will be represented by embassy officials.

Officials and diplomats close to the talks said the meeting was likely to discuss the possible early deployment of a contingent of Palestinian police in Hebron should this form part of the negotiated solution.

Today's Cairo talks are expected to be headed by Major General Amnon Shahak on the Israeli side and Mr Nabil Shaath for the Palestinians - the two men who had headed the now-stalled talks on Israeli withdrawal from Gaza and Jericho.

The Israeli team, which was last night briefing Mr Rabin on the Tunis talks, also ruled out PLO calls for the removal of Jewish settlers from Hebron. The settlers themselves threatened yesterday to use all means short of shooting soldiers to resist attempts to evacuate them, and said they were considering ways to increase the Hebron settler population.

Three Palestinian survivors of the Hebron massacre told the Israeli commission of inquiry yesterday that at least two gunmen were firing in the mosque. Two Muslim clergymen and three Muslim mosque guards declined to testify last week.

NEWS IN BRIEF

Guerrilla rockets land in Israel

Guerrillas in south Lebanon fired Katyusha rockets into northern Israel yesterday, one day after Israeli shelling killed two schoolchildren and a man, Reuters reports from Tyre.

Security officials said "three or four" Katyusha rockets were fired from near Qayeh village in the south. At least two rockets hit western Galilee, the others fell in the border area. The rockets caused no casualties. No group claimed responsibility, but security officials said the attack seemed to be in reprisal for the Israeli shelling.

China's inflation rate rises

Figures indicating a rise in China's inflation rate were published in the Chinese press yesterday, our Foreign Staff writes. The reports said retail prices in the first two months rose 20 per cent nationwide over the same period last year, against 13 per cent for all of 1993. The State Statistical Bureau report showed industrial output grew by 18.2 per cent in the first two months; capital construction surged 41.8 per cent in the same period.

Morocco free trade zone

Morocco will build a new harbour and a free trade zone of some 5,000 acres in the Atlantic coast port of Dakhla in disputed Western Sahara, Reuters reports from Rabat. The official news agency MAP quoted Mr Mohamed Hassad, public works minister, and Mr Driss Jettou, commerce and industry minister, as saying the harbour would take three years to build and become a centre for deep-sea fishing. Morocco claims Western Sahara, but Polisario guerrillas have been fighting for independence since 1976.

Israeli banks' higher profits

Two of Israel's top five banks have this week released figures for 1993 that show increased profits over the previous year, writes David Horowitz in Jerusalem. United Mizrahi Bank yesterday announced 1993 profits totalling Shk135m (\$45.3m), a 9 per cent increase over 1992.

Mr Chaim Kubersky, chairman, said the bank was in "good shape" ahead of the scheduled sell-off of up to 51 per cent of its shares later this year. First International Bank of Israel reported a 37 per cent rise in profits for 1993 compared to 1992, at Shk144m.

Cambodians can stay

About 30,000 Cambodians have sought refuge in Thailand since the capture by government forces of the Khmer Rouge's Pailin stronghold, Reuters reports from Bangkok. They will be allowed to stay until the situation returns to normal.

Foreign investment in India up eightfold in year

By Stefan Wagstyl in New Delhi

Foreign investment in India is estimated to have risen eightfold in the year ending this month to about \$5bn (£2.9bn), far above the government's targets and the most optimistic private forecasts.

Announcing the figure at a business conference yesterday, Mr Manmohan Singh, finance minister, urged busi-

nessmen to make further investment commitments, saying the economic reforms carried out since 1991 required "a vigorous response from both foreign and Indian investors".

The estimated total includes about \$1.5bn in direct investment and about \$3.5bn in foreign fund managers' investment in Indian stock markets and overseas issues made by Indian companies.

The figures measure actual inflows, not investment approvals, and compare with a total of \$588m for 1992-93.

The big inflow of portfolio investment reflects the fact that India's financial markets were largely closed to foreign investors until late 1992 and the general popularity of investment in emerging markets, as well as growing appreciation of India's prospects.

The \$5bn estimated total for 1993-94

compares with a forecast of \$3bn published in the government's annual Economic Survey only a month ago.

At the start of the financial year, finance ministry officials expected inflows of up to \$2bn at most.

They believed it would take years for inward investment to pick up speed. They are pleased actual inflows exceed their forecasts but there is concern that a large element of the

inflow is portfolio investment, which could be reversed if fund managers sell their holdings.

The government's policy is to encourage direct investment, especially in infrastructure.

Mr Singh said India remained committed to further reforms, including liberalisation of foreign exchange rules, financial markets and trade policy.

Sharp rise in US trade deficit

Figures include services for the first time, reports Michael Prowse from Washington

The US trade deficit in goods and services rose sharply to \$6.5bn in January against \$4.1bn in December, the Commerce Department said yesterday.

The monthly figures were the first to include data on trade in services. Until yesterday, the US published monthly data only on merchandise trade - or trade in goods. By excluding a large surplus on services these gave a misleading impression of the US's overall trade performance.

The increase in the overall trade deficit mainly reflected a sharp fall in exports from \$7.3bn to \$5.4bn, partly offset by a smaller drop in imports from \$6.4bn to \$5.8bn.

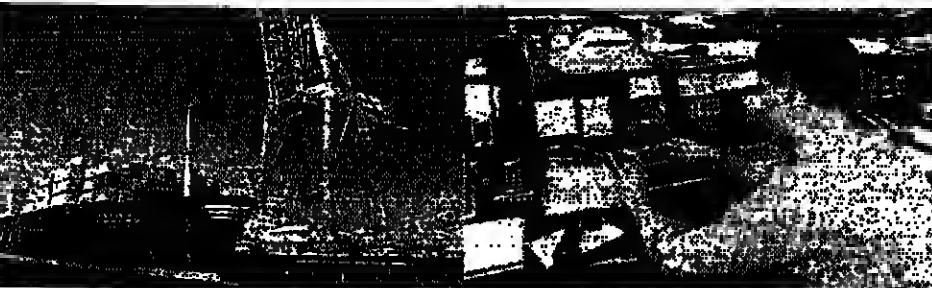
The larger-than-expected fall in exports - reflecting weakness of demand in overseas markets - indicates that trade may act as a drag on US economic growth in the first quarter, partly offsetting the strength of domestic US demand.

Yesterday's figures highlighted the sharp divergence in US trade performance in the goods and services sectors.

The deficit in trade in goods rose to \$1.1bn from \$3.7bn in December. The surplus on services rose to \$4.7bn against \$4.6bn in December.

The merchandise trade deficit

US trade: services lessen the blow



\$bn	Goods	Services	Net balance	Merchandise balance on 'old' basis
July 1993	-11.5	4.8	-6.7	-10.4
Aug 1993	-11.8	4.6	-7.0	-10.0
Sep 1993	-12.6	4.4	-8.2	-10.6
Oct 1993	-12.6	4.2	-8.5	-10.6
Nov 1993	-11.4	3.9	-7.5	-9.7
Dec 1993	-8.7	4.6	-4.1	-7.4
Jan 1994	-11.5	4.7	-6.8	-8.8

Source: Department of Commerce

cit on the old basis rose to \$3.8bn in January against \$1.4bn in December. This differs from the reported \$1.1bn deficit in trade in goods because the latter is calculated on a "balance of payments" rather than "census" basis.

The census figures are based on physical movements of goods whereas the balance of payments figures also reflect

changes in the ownership of goods. The two reporting methods also differ in the way they treat gold and military contracts. Generally figures on the balance of payments correspond more closely to international definitions.

The revised and expanded monthly trade figures were "important for raising our awareness of how our economy

works and how our nation competes in global markets," said Mr Dave Barram, deputy commerce secretary.

"We live and work in an economy in which the software is as important as the hardware...our service and manufacturing sectors grow increasingly interwoven," he said.

Since the late 1980s the US surplus on services has

increased steadily - from \$12.1bn in 1988 to \$55.7bn last year. The deficit on goods fell from \$12.7bn in 1988 to a trough of \$73.8bn in 1991 during the recession but then began rising as the US economy recovered, reaching \$132.5bn last year.

The rise in the surplus on services has thus offset to a considerable degree the deterioration on goods. The services surplus last year was nearly 60 per cent as large as the deficit on goods. The deficit on goods and services combined, at \$76.8bn last year, is thus sharply lower than the \$114.9bn registered in 1988.

The main components of the services account are: business services (surplus of \$22.8bn last year); tourism and travel (surplus of \$20.8bn); royalties and licence fees (surplus of \$15.7bn); and government transactions including military (deficit of \$2.6bn).

The sharpest improvement in the US services account since the mid-1980s has been in travel and tourism. Exports of business services have grown roughly in line with exports and goods and less rapidly than imports of business services. Many analysts thus expect the services surplus to stabilise rather than continue growing rapidly.

Camacho puts peace before presidency

By Damian Fraser in Mexico City

Mr Manuel Camacho, the peace envoy in the Mexican state of Chiapas, has sought to end speculation about his political ambitions by apparently ruling himself out as a presidential contender this August.

If it continues to look as if my priority is to become a candidate for the presidency of the republic, this could end up damaging the peace process," Mr Camacho said.

Between seeking a candidacy for the presidency and the contribution I can make to the peace process in Chiapas, I choose peace," he said.

However, in giving his work in Chiapas as the reason for not seeking the presidency, Mr Camacho left open the admittedly small possibility his presidential ambitions might return if the conflict in Chiapas were resolved, or if he were no longer needed in the state. Mr Camacho made clear he still wanted to be president, but not at the cost of peace in Chiapas.

Despite the potential ambiguity, news of Mr Camacho's announcement led to a sharp recovery in the Mexican stock market yesterday. By noon it



Mr Manuel Camacho: his announcement caused stock market recovery

was up 3.7 per cent. The New York-quoted stock of Telefonos de Mexico was up by 7.2 per cent at 1pm. The peso also strengthened slightly.

Mr Camacho, a former Mexico City mayor and foreign minister, is one of the best known and most powerful members of the ruling Institutional Revolutionary party. His candidacy could have split the party, and thrown this

August's presidential election wide open.

The political uncertainty caused by his rumoured candidacy contributed to sharp declines in the Mexican stock market and peso, and consternation in the government. Over the past six weeks the stock market has lost about 17 per cent of its value, and the peso has depreciated by more than 6 per cent against the dollar.

The situation in the impoverished southern state of Chiapas has also become more tense in recent weeks. Big landlords are engaged in a struggle over land with sympathisers of the Zapatista rebels, who launched a rebellion in the state at the New Year.

Mr Camacho believes that speculation about his presidential candidacy was complicating efforts to bring the sides together.

He also said that in the current electoral climate he would not seek to be a senator, nor would any member of his negotiating team in Chiapas seek political office. But he said he would continue in politics, seeking democratic reforms, and responding to the needs of the population.

Clinton to face fresh scrutiny on Whitewater

By Jurek Martin in Washington

In a fresh blow to President Bill Clinton it now appears certain that the US House and Senate will conduct fully fledged hearings into the Whitewater affair, possibly as early as next month.

Mr Tom Foley, the speaker, and Mr Bob Michel, the Republican leader, announced yesterday that the House would vote later in the day on a motion identical to that approved by the Senate last week. Mr Foley predicted it would pass, adding that, as with the Senate, no grants of immunity from prosecution would be given to those summoned to testify.

The bipartisan agreement marks the end of Democratic resistance to the idea of wide-ranging hearings into the tangled tale of the Clintons' financial and land dealings in Arkansas in the 1970s and 1980s. It also ensures that the national spotlight will remain focused on Whitewater, much to the regret of a president trying to get his domestic legislative agenda back on track.

Yesterday's announcement followed the postponement of a House banking committee session scheduled for tomorrow, which could have provided the

first congressional forum for Whitewater.

The committee, under the chairmanship of Mr Henry Gonzalez, the Texas Democrat, was due to review the semi-annual report of the Resolution Trust Corporation, the agency created to clear up the savings and loan debacle of the 1980s.

A bankrupt Arkansas S&L, Madison Guaranty, has been implicated in the Whitewater affair. Both Mr Lloyd Bentsen, the treasury secretary and Mr Roger Altman, his deputy and acting head of the RTC, were scheduled to testify.

In postponing the committee hearings, Mr Gonzalez first accused Congressman Jim Leach, the ranking Republican, of seeking to transform them into a "judicial adventure" against the president. But later, in a letter to Mr Foley, he said he favoured House hearings "in a forum of broad reach - possibly a select committee - that can explore all the charges that have been brought".

In Little Rock yesterday, Mr David Hale, a former Arkansas judge, pleaded guilty to conspiracy and fraud in an unrelated case as part of a bargain with Mr Robert Fiske, the independent Whitewater counsel.

Cigarette tax may rise \$1.25

By George Graham in Washington

Anti-smoking advocates won a significant battle yesterday when an influential congressional health committee voted to raise the tax on cigarettes by \$1.25 (84 pence) a packet to help pay for a reform of the healthcare system, far more than the 75 cent increase proposed in President Bill Clinton's health plan.

The stiff tobacco tax increase, which could raise an estimated \$16bn a year, passed the health panel of the House of Representatives Ways and Means committee by a 6-5 vote, but could fall by the wayside as healthcare legislation goes through Congress.

Mr Clinton had originally considered a steep increase in the tobacco tax, partly to raise revenue to pay for aspects of his reform plan and partly to act as a severe disincentive to smoking, but backed down to 75 cents to placate congressmen from tobacco-producing states in the south-east.

Mr Clinton's efforts to push healthcare reform have appeared to lose momentum in recent weeks, but a legislative package is still being painstakingly crafted in Congress.

One draft now being circulated by the House energy and commerce committee, under the chairmanship of Mr John Dingell of Michigan, would eliminate the requirement that all but the largest companies be required to buy health insurance for their employees through government-run "health alliances".

Christopher defends China line

By Jurek Martin

The US will not back down from its demands that China improve its human rights record as a condition for extending trade benefits, Mr Warren Christopher, US secretary of state, said yesterday.

In a signed column in the Washington Post, Mr Christopher wrote that "our specific conditions for renewing MFN [most favoured nation trading status] are reasonable and attainable.... We are not asking China to apply American prescriptions, only to adhere to the universal standards of human rights that bind most nations in the world today."

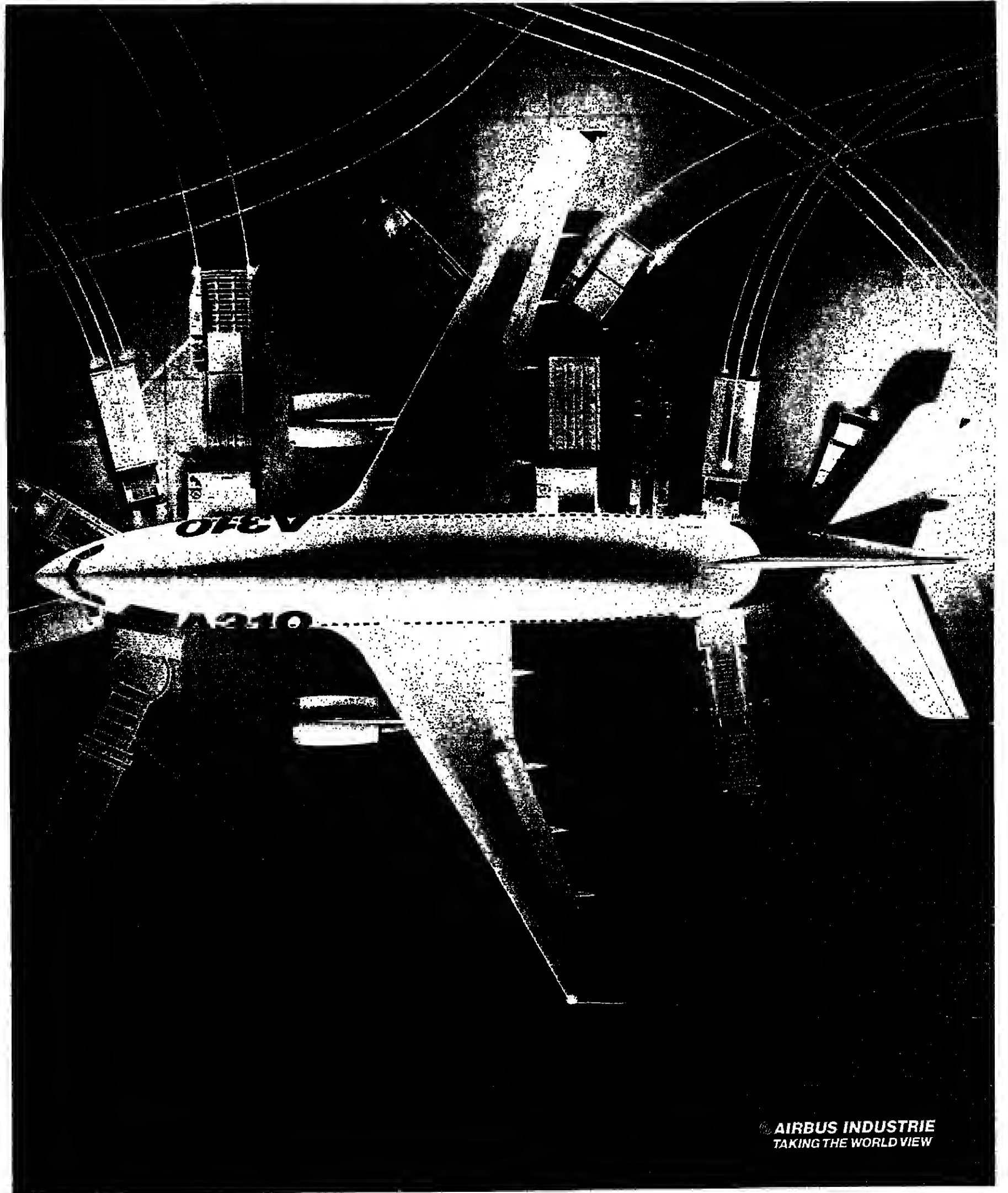
His unrepentant article may be seen as a clear rebuttal of critics who claim his recent mission to China was a diplomatic disaster. But it also underlines differences in the administration over whether withholding trade privileges, which may prompt retaliation against US businesses, is the best way to improve human rights in China.

Senior officials of both the treasury and commerce department have argued publicly that US commercial openings should not be sacrificed to the human rights concerns of the state department.

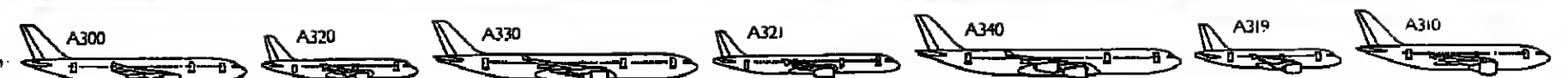
At the weekend, Mr Lloyd Bentsen, Treasury secretary, hoped "alternatives" could be worked out. Last week another senior White House official reflected the dilemma by saying that it was "untenable" both that MFN not be renewed and that China's human rights record be ignored.

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NEWS: UK

Delays hit British Rail privatisation

By Charles Batchelor,
Transport Correspondent

The sale of British Rail franchises to the private sector is expected to take up to a year longer than planned, Mr John MacGregor, UK transport secretary, disclosed yesterday.

The government does not expect to sell off the first six franchises until sometime before the end of 1995. It had hoped to sell the franchise for the Gatwick Express, running

between London Victoria and Gatwick Airport, this autumn and a further six franchises early next year.

"We did indicate an earlier timetable when the Railways Bill was going through the House but that was before we had done detailed work," Mr MacGregor said. News of the delay came less than two weeks before the creation of separate companies to own BR's track and signalling and to lease rolling stock.

"The Tories' plans for rail privatisation are falling apart before they've even started," said Mr Frank Dobson, Labour transport spokesman.

Despite the delay the government still hopes to have privatised more than half of BR's passenger rail services by April 1998. "This is a challenging but achievable programme," Mr MacGregor said.

The first six franchises to be sold off are expected to be Gatwick Express, the east coast

main line between London and Scotland; the Great Western main line; the London, Tilbury and Southend line; south western division; and ScotRail.

The Isle of Wight line will be sold off later because, unlike the rest of the rail network, it will operate as a single unit including both train operations and track.

Apart from Gatwick Express, which is already operating as an independent company, the first six franchises will start

operating as "shadow franchises" from April 1 with the remaining 19 due to start in October. These will be run by their existing management as independent operations to establish how attractive they might be for private bidders.

A fear of some potential bidders is that the government might reduce or remove subsidies for loss-making lines during the life of a franchise. Mr Roger Freeman, transport minister, indicated that the Treasury would be expected to

promise to maintain subsidies. "Long-term commitments of subsidy will have to be made," he said.

The announcement of details of the privatisation timetable coincided with the launch of a campaign against the rail programme by Save our Railways, a protest group, the Labour party and transport unions.

Save our Railways will monitor privatisation and report any deterioration of service.

Pergau 'threat' to aid budget for 3 years

By James Blitz

Lord Younger, the former defence secretary, could have committed to Malaysia the UK's entire budget for Aid and Trade Provision for three years when he secured a contract to sell defence equipment in 1988, according to evidence given yesterday to MPs.

Lord Howe, the former foreign secretary, told the Commons Select Committee on Foreign Affairs that the decision to link an offer of aid for Malaysia's Pergau dam project with a five defence contract was taken entirely by Lord Younger, his cabinet colleague in the late 1980s.

He said that a protocol signed by Lord Younger and the Malaysian government in March 1988 had made "a substantial moral commitment" to offer aid to Malaysia, and that its contents had caused "astonishment", "astounding" and "dismay" in Whitehall when they became known.

But Lord Howe emphasised yesterday that one of his principal concerns at the time was that the wording of the protocol could have allowed the Malaysians to make a considerable call on funds from Britain's aid budget.

He pointed out that - with a defence deal potentially worth £1.5bn in the making - this would have committed the UK to immediately grant Malaysia £300m in cash, three times the annual budget of the ATP scheme which gives aid to developing countries so they can secure British contracts.

"We had to limit the financial commitment involved," Lord Howe told the MPs. "The original wording meant that if we wanted to sell another Spitfire, Malaysia could have pressed for another dam."

Lord Howe said that he fully understood Lord Younger's determination to secure the defence contract. "In retrospect we can say it was an error of judgment, but at the time the main thing was that he got the deal."

All about Ulster's broadcast news

Michael Cassell on the BBC's policy towards covering local news in Northern Ireland

A phone-in argument over coloured icing on an anniversary cake might not appear to be the stuff of serious radio broadcasting. But in Northern Ireland the BBC knows only too well that trivia can be deadly serious.

With a few minutes left of his popular "Talk Back" programme, presenter Mr David Dunneith is up to his head-phones in controversy. A televised report of a party thrown for Mr John Hume, leader of the nationalist Social Democratic and Labour party (which aspires to a united Ireland by consent), has shown the cake in question apparently iced in the colours of the Irish republic.

A member of the province's grievously divided community is not amused and sounds off on air. Before long, Mr Mark Durkan, chairman of the SDLP, is on the line to point out that any likeness is unintentional: the SDLP has never used or abused any nation's national flag.

In this part of the United Kingdom sensitivities are as acute as political opinions are diverse. Extremes, however much in the minority, tend to dominate and it often appears that only those who shout loudest get heard.

In the middle stands BBC Northern Ireland, recent winner of a Royal Television Society award for 25 years of outstanding service to the province, and charged under charter with providing a daily stream of public service broadcasting: one of its prime tasks being to maintain fairness and balance in a society where bad judgement can have potentially grave consequences.

"There is an obvious difficulty in being called the British Broadcasting Corporation in a place like this," says Mr Robin Walsh, the affable but tough Londonderry man who, after a lifetime in newspaper and television journalism is now, at 54, controller BBC Northern Ireland.

"One side of the community thinks you should be waving a particular flag. The other suspects you are part of the Establishment and on no account to be trusted", he says.

Mr Walsh's assessment is



Jim Douglas, political editor for BBC Northern Ireland, pictured outside the parliament buildings at Stormont, Belfast

easily confirmed. At the recent annual conference of Sinn Féin, the BBC was vilified for peddling "Loyalist (pro-British) propaganda".

On the other hand, Mr Jim Wilson, general secretary of the Ulster Unionists, claims many ordinary, working-class Protestants believe even the surmises of some of the BBC's leading local broadcasters lend weight to suspicions of pro-Catholic bias.

Mr Walsh stresses the corporation's commitment to cover all aspects of life in the province but believes the thirst for news in Ulster is unquenchable. He accepts, however, there is a tendency to inflate or overstate the impact of news and that hyperbole can get the better of the most experienced journalist.

He recalls the BBC mistakenly announcing the breakdown of an IRA ceasefire and still shudders at the thought some Loyalist paramilitaries might have seen it as the green light for fresh atrocities.

But he rejects the old notion

"that if everybody means you must be getting it about right. I think that is true. If you scratch the surface of the rhetoric I think you find most people believe we are trying to be fair in a tough situation."

Mr Durkan of the SDLP accepts the point, recognising that "in the cut and thrust of daily headlines things are not always going to be calibrated too precisely". Even so, he complains his party cannot win representation on Question Time (TV debates) programmes from the province.

"The thing I am most proud of," says Mr Walsh, "is the manner in which people work at the sharp end of highly emotive stories but manage to leave their opinions and tribal and political affiliations at home."

There is plenty of extra guidance on how to avoid the technological traps which await newcomers to Ulster politics. Never, say BBC guidelines, give pet names like "provo" to terrorists, don't refer to IRA "volunteers" - who knows

why they joined? - and avoid offending everyone by referring to the "mainland".

Mr Walsh's journalists sometimes take much more serious risks - to life and limb. One reporter arranged a frightening rendezvous in the back of a van with hooded men to hear stories which Mr Walsh believes ultimately led to the inquiry into alleged collusion between police and Loyalist paramilitaries.

His staff have been caught up in hobs, borne the hunt of angry public reaction to atrocities and occasionally confronted direct intimidation from the paramilitaries.

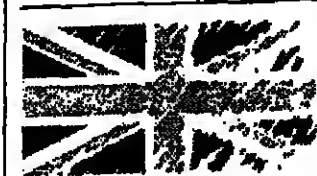
There is no shortage of recruits, however, to work in the BBC's only 24-hour news room outside London which is called on to output to all parts of the organisation. Morning and evening radio news programmes have built large, loyal audiences and now, against the trend, the BBC has invested to beef up its specialist political and security teams. The organisation, however,

faces some tough competition in the local marketplace. Live at Six on UTV, for example, mounts a highly effective effort to win early evening news viewers and strives hard to inject a more intimate, Ulster flavour into its coverage.

All broadcasters in the province face a common obstacle and an almost daily headache - the continuing ban on broadcasting the words of representatives of Sinn Féin and extremist paramilitary organisations. Mr Keith Baker, head of news and current affairs, calls it a "preposterous straitjacket" which creates particular problems on live programmes.

Mr Baker says its judgment on when or when not to include the views of people subject to the government order is more editorial than legal. "We haven't got it wrong yet and I am not sure what would happen if we did. I suppose an angry phone call from the Heritage Department [of the government]. The switchboard is standing by."

Britain in brief



Spectrum review plan for radio

The UK government is considering radical proposals for the management of the radio spectrum including the possibility of holding spectrum auctions and even the creation of a secondary market in spectrum assignments.

The possibility of radical change in the management of the radio spectrum came yesterday in a consultative document from the Department of Trade and Industry.

The radio spectrum is the complete range of useful radio frequencies covering everything from radio and television to mobile communications, microwave telecommunications links and satellite services.

Ferranti MBOs planned

Management teams running different parts of Ferranti International, the ailing defence electronics group, will this week attempt two buy-outs from the receiver.

One team wants to buy a Ferranti components division in Oldham, Greater Manchester, north-west England.

The other, based in Bracknell, Berkshire, near London, wants to buy the software division and enter a supply agreement for hardware from Oldham.

Arthur Andersen, the receiver, said there was outside interest in buying the business whole, which might prove more convenient and attractive.

Palace loses Dutch master

Security at Buckingham Palace was under review after a former employee was arrested over the theft of a 17th century oil painting.

Royal officials only learned that the £100,000 painting by Dutch artist Adriaen Van Ostade had been stolen from a guestroom in the state apartments when it was offered up for auction at Phillips Auctioneers in London.

Post Office faces strike

The Post Office faces the threat of disruption from three industrial disputes. Engineering staff working

for the Royal Mail in London voted to strike over the proposed closure of half the capital's mechanised letter offices, starting next month.

The Royal Mail's 5,000 engineering workers around the country are taking part in a strike ballot in opposition to the transfer of its building engineering services to a separate subsidiary company RoMEX.

On top of this, workers at London's main post offices will strike on March 30 over the issue of post office closures after a three to one majority vote in support of industrial action.

Crossrail plan wins backing

The chairman of a House of Commons committee considering the £2bn Crossrail plan for an east-west underground railway link across London dismissed claims that the project is doomed.

Mr Tony Marlow, chairman of a committee of MPs considering a bill providing for the link, said the committee was "nowhere near reaching any decision on anything."

Mr Marlow spoke out after reports that the committee had accepted evidence that the link would be uneconomical.

UK land prices rise quickly

Land prices have risen exceptionally quickly over the past 12 months, stoking inflationary pressures in the housing market and the general economy, housebuilders warned.

Prices for quality sites have risen by an average of 30 per cent nationally during the past 12 months and by up to 50 per cent in south-east England, according to Mr David Wilson, chairman of William Bowden, one of Britain's most profitable housebuilders.

He blamed restrictive planning policies by local and central government for creating a shortage of good sites and forcing up the price of land as the housing market started to recover.

Auditor took BCCI loans

Price Waterhouse, the accountancy firm, received loans or credit facilities in two African countries from the Bank of Credit and Commerce International, its audit client, in possible contravention of professional ethical rules.

The firm said yesterday that it had also received loans from BCCI in Panama and Barbados, and that two of its partners in the Cayman Islands had deposits with the bank.

It said that these transactions had been on normal commercial terms and that they had in no way affected its audit judgments on BCCI.

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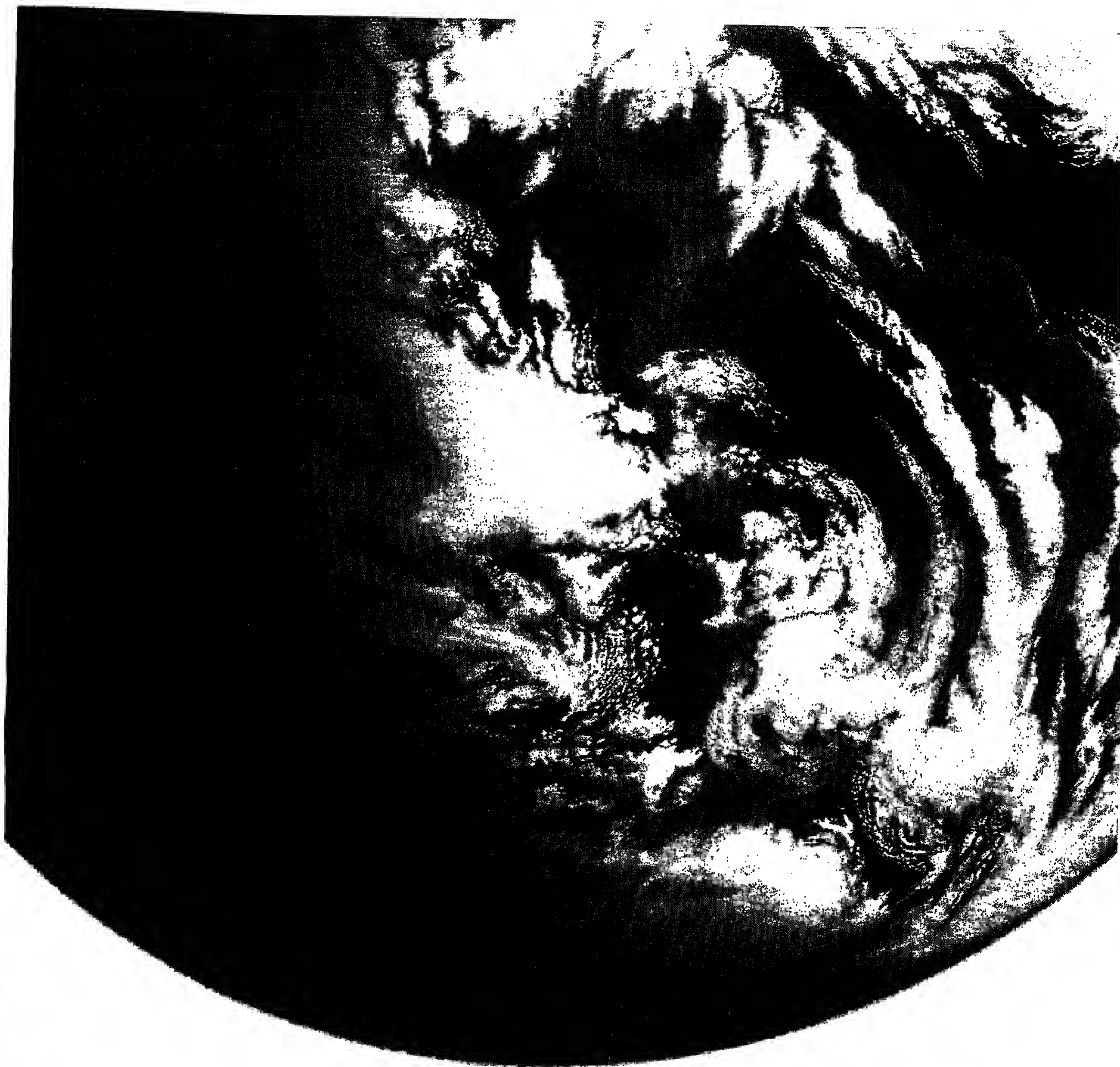
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NEWS: UK

MPs warn of fresh 'civil war' over Europe

By Philip Stephens,
Political Editor

Leading pro-European MPs amongst the Conservative party's rank-and-file last night warned of the threat of renewed civil war in the party over Europe after the fierce anti-Brussels outburst in the House of Commons from Mr John Major.

Conservative MPs on the

centre and left of the party have been told not to engage in public debate with rightwing Euro-sceptic colleagues to suppress internal divisions before June's European elections.

The instruction, delivered by the Conservative whips, in charge of internal party discipline, but said to have come directly from the prime minister - has up to now met with grudging acquiescence from

the members of the party's Positive Europe Group.

But the anti-European tone of the prime minister's comments enraged many of the enthusiasts. They warned that if the row with Britain's partners over voting rights in an enlarged Union was used as an excuse to appease Tory sceptics, the present truce on the backbenches would disintegrate.

Ministers said that Mr Major's comments represented no more than an attempt to convince Britain's European partners of the seriousness of its resolve.

Many on the backbenches, however, interpreted his aggressive characterisation of the opposition Labour party as a "poodle" of Brussels as a clear precursor to an overtly nationalist stance in the

run-up to the June elections. There is a strong suspicion that Mr Major has decided that appeasing the Euro-sceptic right offers the best chance of heading off a challenge to his leadership later in the year.

Members of the Positive Europe group have responded by telling party managers that they will not accept a "bashing-Brussels" platform in the campaign for the European

parliament. They believe that by bowing to the right of the party the prime minister is underestimating a potentially far more dangerous threat to his leadership from the centre-left.

The pro-Europeans fear that Mr Major's approach could degenerate into a repeat of the disastrous European campaign in 1989. Mr Douglas Hurd, the foreign secretary, has sought to reas-

sure the enthusiasts that Conservatives will not attack the Union's institutions but focus instead on the dangers of the socialists securing control of those institutions.

But the enthusiasts fear his instincts are being over-ruled by Downing Street, undermining confidence that he will be able to hold the line against the sceptics once the campaign is under way.

Jailed Nissan UK chief appeals

By John Mason,
Law Courts Correspondent

The jury in the Nissan UK corporation tax fraud trial was misled over the guilty plea entered by Mr Frank Shannon, the company's former finance director, the Court of Appeal was told yesterday.

The claim was made by Mr Alan Jones QC, appearing for Mr Michael Hunt, the managing director of the former car importers who was jailed for eight years last July after being convicted of a £55m tax fraud against the Inland Revenue, which administers the UK's tax collection.

Mr Hunt is appealing against both his conviction and the length of his sentence.

The offence Mr Shannon admitted to - one of cheating the Revenue - should be declared null and void since the particulars of what he admitted did not amount to cheating the Revenue. Mr Shannon had no knowledge of the particular fraud involved in the charge, Mr Jones said.

Mr Shannon only made the confession after a bargain between himself and the Revenue in which he agreed to settle his outstanding tax liabilities and plead guilty to the one offence, he said.

This meant he would have to pay no more money to the revenue and avoid further prosecutions. The Revenue could also claim success from his conviction, Mr Jones added.

However, the jury hearing the case against Mr Hunt was told Mr Shannon had pleaded guilty to a similar charge to one of those brought against Mr Hunt.

"The jury have simply been misled about what the plea of guilty is," Mr Jones said. Mr Hunt's conviction should therefore be overturned, he argued.

The appeal is expected to last five days.

Matrix case 'blow to public confidence'

By John Mason,
Law Courts Correspondent

Public confidence in the criminal justice system has been damaged by the government's attempt to use public interest immunity to prevent documents being disclosed during the Matrix Churchill trial, the chief prosecutor in the case told the Scott inquiry.

Mr Alan Moses QC also said government ministers must use their discretion when considering making PII applications - a stance that contradicts the advice Sir Nicholas Lyell QC, the attorney general, gave government ministers who signed PII certificates to stop evidence being heard by the Matrix Churchill jury.

Mr Moses said ministers should not apply "mechanically" for PII certificates.

They had to use their judgment about whether release of documents would really damage the national interest. If they thought disclosure would have this effect, they were under a duty to apply for PII.

Sir Nicholas, who gives evidence to the inquiry tomorrow, has argued since the trial that ministers are always under a duty to seek PII and should not use their discretion.

Mr Moses told Lord Justice

Scott: "A minister would be ill-advised to sign a certificate unless he was satisfied about the reasoning of the prosecution for fear that he would be accused of withholding documents or signing gagging writs. Then he is subjecting himself to the sort of furore that happened in this case - which is something I can well understand."

The Matrix Churchill trial had produced a reaction that "the public no longer find it acceptable and cannot have faith and trust in a fair trial if this kind of thing is going on", he said. Mr Moses said he had never been told of the reservations held by Mr Michael Heseltine, the trade and industry secretary, about signing the PII certificates.

Had he known of Mr Heseltine's objections, Mr Moses told the inquiry on Monday, he would have used a different argument in asking for PII to apply.

Earlier the chief prosecutor launched a scathing attack on the conduct of Whitehall in the case. He told the Scott inquiry that if he had been told by officials about the extent of their knowledge of British arms-related exports to Iraq he would not have gone ahead with the case.

Favourite wins the race to own Epsom

By David Blackwell

The favourite won the race for the Derby yesterday. Racecourse Holdings Trust, owned by the Jockey Club, will be the new owner of Epsom, where the next Derby will be run on June 1.

It will also own Sandown Park and Kempton Park.

The trust, always seen as the safest bet, made a winning bid of £30.25m. This outstripped bids from the two outsiders - Sunset + Vine, the sports television company, and a consortium headed by Mr Stan Clarke, owner of Uttroter racecourse.

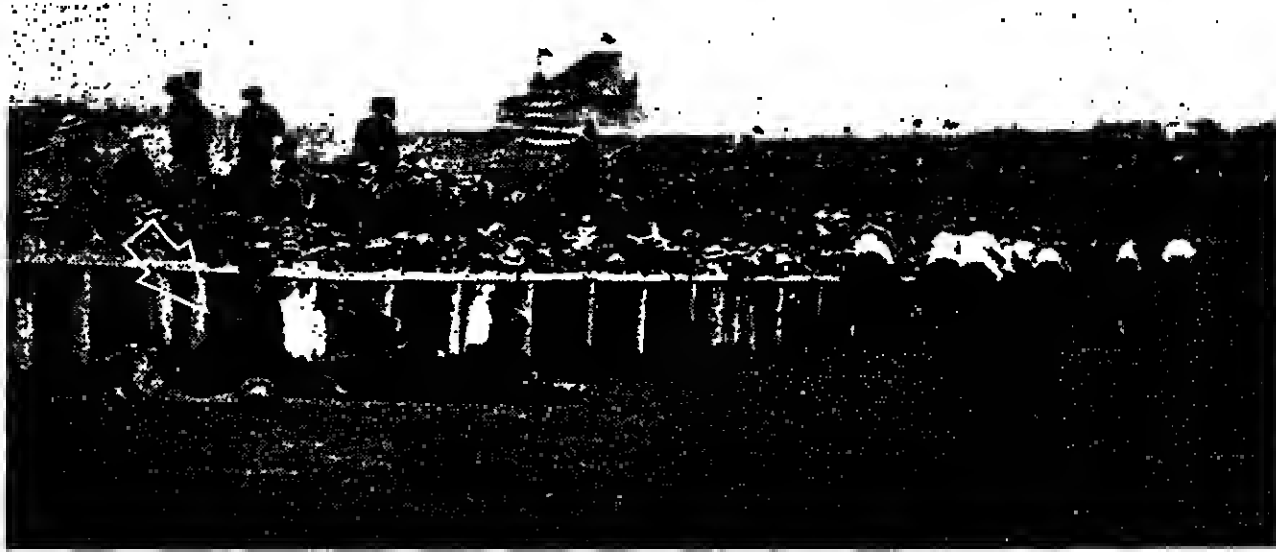
The three courses were offered for sale in October by the Horse-race Betting Levy Board, which has owned the courses for more than 20 years.

Mr Rodney Brack, chief executive of the board, said the race had been close. All three candidates had satisfied the board's prime demand to safeguard the future of quality racing at all three courses, the highest bidder won.

The Levy Board will face criticism that it has taken the safe option.

The trust, whose main shareholder is the Jockey Club, racing's governing body, already owns nine of the UK's 59 courses, including Cheltenham and Newmarket.

Mr David Hillyard, RHT's managing director, said he was absolutely delighted. Anyone who accused the trust of being establishment and unimagin-



For over 200 years the Derby at Epsom racecourse, south of London, has been a part of British sporting history - but in 1912 it made more tragic headlines when suffragette Emily Davison (above) threw herself in front of Anmer, the King's horse, at Tattenham Corner. Her death marked a turning point in the emancipation of women in Britain, writes Christine Buckley.

The Derby is arguably the world's

greatest horse race. It began in 1780 and was named after the Earl of Derby, the race's first host. Early in the following century its reputation started to soar with the addition of the One Thousand Guineas and Two Thousand Guineas to the card.

Soon the annual race on the Surrey Downs became a famous day out - "Derby Day" had arrived on the sporting calendar - a mecca for serious racegoers and those in search of a stirring spectacle.

In 1947 Lord George Bentine, a racing reformer, moved that parliament itself be adjourned for the race - a custom that lasted for several decades.

Derby Day, now the first Wednesday in June, remains an excuse for a large exodus from London as The City heads for the country. It has become one of the main events of corporate entertainment - with dozens of open-top buses emblazoned with company logos lining the course.

Uttroter racecourse from losses five years ago, put in a private bid with Mr Anthony Solomons, chairman of Singer & Friedlander, the merchant banking and property group, and Mr Andrew Cohen, the managing director of Betterware, the home shopping company.

Sunset, which has a market value of less than £10m, had lined up an impressive board, including Robert Sangster, the millionaire racehorse owner, David Lloyd, former British Davis Cup tennis player, and racehorse trainer Luca Cumani.

Mr Stan Clarke, who turned

activa "clearly was nowhere near Cheltenham last week" for the three-day National Hunt Festival.

The trust will be borrowing around 70 per cent of the purchase price, which includes £1m related to Derby sponsorship. It is funding the balance from its own resources. The

contract is expected to be concluded by the end of next month.

A spokesman for Sunset + Vine said: "Our bid was designed to improve and broaden the appeal of racing to the public, bring innovation and marketing expertise to the world of racing."



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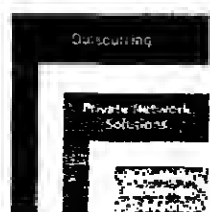
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WORLDWIDE WASTE

US finds traditional disposal hard to beat

Strict government rules have failed to achieve their goal of cutting the use of landfills, writes George Graham



Solid and hazardous wastes in the US have come under increasingly complex laws and regulations. Starting with the Resource

Conservation and Recovery Act of 1976, which set up a complete management system for hazardous wastes and established disposal criteria for other categories of solid waste, the federal government's restrictions have had far-reaching effects on waste management.

Not all of the rulemaking has been successful. The Superfund legislation of 1980 and amendments of 1986 have had unintended consequences and have failed to achieve their main purpose, which was to provide for the clean-up of toxic dumps. As a result, the Environmental Protection Agency is trying to push yet another Superfund reform through Congress.

Government efforts to direct waste management practices have also stumbled over simple economics: traditional methods of disposal such as landfills have remained stubbornly cheap, while favoured approaches such as recycling have generated a glut of unsaleable materials.

The US produces around 196m tons of municipal waste a year – about 4.5lbs per person and almost double the norm in other industrialised countries.

The EPA estimates that the US spends about \$35bn (\$29.9bn) a year on collecting and disposing of municipal solid waste, managing hazardous waste and cleaning up underground petrol and chemical storage tanks.

Spending in these areas is rising faster than in any other category of environmental regulation. The Congressional Budget Office calculates that cleaning up Superfund toxic waste sites alone – excluding dumps on federal government property – will cost a total of \$75bn. A separate

estimate by the University of Tennessee puts the price at \$151bn.

To deal with solid waste, the EPA has set up a hierarchy of management techniques:

1. Reduce waste by preventing its creation;
2. Recycle and compost as much as possible;
3. Incinerate or treat waste in other ways to reduce its volume;
4. In the last resort, landfill.

Of these approaches, reducing the source of the waste may be the most promising because the cost to businesses of installing new equipment can often be offset by savings on reduced raw material consumption.

Environmental groups also argue for consumers to play a role in source reduction through "pre-cycling": choosing products which use less packaging or avoiding throwaway products.

Recycling has proved a more mixed blessing. Many states and cities have set ambitious goals: between 1989 and 1992 the proportion of municipal rubbish recycled rose from 9 per cent to 14 per cent, while the proportion sent to landfills dropped from 84 per cent to 76 per cent, according to the World Resources Institute's Environmental Almanac.

Seattle is often cited as the example for recycling. In 1989, the city raised its charge for picking up a second rubbish bin from \$5 to \$9 per month, and lowered charges for customers who recycled. By 1991, that fee increase had cut the proportion of households who put out a second bin from 39 per cent to 11 per cent.

With other initiatives on recycling and source reduction, Seattle cut the solid waste it was disposing of by a quarter. But with a sluggish market for recyclables, it can now cost Seattle \$10 a ton to get rid of recycled newspapers where it was once paid \$10 a ton, and the city has had to stockpile or even landfill some recyclables such as glass.

Critics of the EPA's insistence

that recycling must come before other waste management techniques say there is a natural limit at around 30 per cent recycling, where simple economics override government policy.

President Bill Clinton's recent order that the federal government must double the recycled content of its paper to 20 per cent is expected to boost the recycled paper market.

Incineration has also gained ground in some states, especially in the north-east. Maine and Massachusetts incinerate more than 40 per cent of their solid waste, while Connecticut incinerates nearly two-thirds. Incinerator construction is spurred largely by the difficulty some cities have to persuading other localities to take their rubbish for landfilling, but incinerators are still greeted with universal suspicion, and no one wants them in their back yard.

Landfill ranks at the bottom of the hierarchy, and it had been widely expected in the 1980s that together operating standards imposed by EPA and by the states would also make it less attractive in financial terms.

Although the number of landfills open to receive waste fell from 20,000 in 1978 to 6,000 in 1986, the anticipated shortage of landfill space has not materialised. With dumped volumes dropping off in the recession at the start of the 1990s, solid waste companies have seen their earnings fall.

The one place where landfills have been filling up rapidly is in the Mississippi basin, where last year's floods produced a morass of debris and sodden sandbags. In most cases, however, dump operators had to waive fees.

In the end, the sheer accumulation of waste at the rate of nearly 200m tons a year will lead to shortages of landfill space. But for the foreseeable future, landfills remain the dominant form of waste disposal because they are the cheapest.

Rock, sand and gravel, gouged or blasted out of great quarries, are irreplaceable as basic building materials. But does Britain want large unsightly holes scarring its countryside? And what of the environmental damage caused by huge trucks carrying stone to build yet more roads?

UK ministers are pondering these questions as they prepare guidelines for local authorities, which are establishing planning targets for aggregates' extraction into the next century.

The government's findings could determine the future of hundreds of millions of pounds of investment proposed by British building material companies for a new generation of coastal super-quarries in Scotland and Scandinavia.

These quarries would reduce pressure on Britain's shrinking countryside in southern England and the Midlands but would be viable only if the price of aggregates were to rise, providing investors with an acceptable rate of return.

A consultation paper published by the Department of the Environment 14 months ago suggested the restriction of aggregates extraction in some of the more politically sensitive regions. It also proposed inhibiting the rise in sea-dredged sand and gravel, partly to protect coastal fishing.

The policy would conserve valuable and irreplaceable land-based reserves, requiring the industry to switch to other sources, the department said. These would include Scottish quarries, imports and recycled or secondary materials such as slate, colliery spoil and china clay waste for landfill.

Similar deliberations are taking place in other large European countries where concern about the environment is equally high on the political agenda. Tarmac, the construction group, which is currently considering spending up to £75m on a Norwegian coastal quarry, says the investment would work only if Britain and Germany took a large proportion of the output.

Publication of the British guidelines, however, is already 10 months late, emphasising the difficulties faced by domestic politicians who wish to display their green credentials without damaging the construction industry – considered to be an important engine for growth for the economy.

Neither are the arguments as simple as they might first appear. Otherwise, companies such as Tarmac would have leaped at an opportunity to raise prices and improve margins, which have been eroded heavily during the UK recession.

The DOE consultation paper contained two options, based on forecasts of construction demand up to 2011.



Blasting or gouging out stone leaves unsightly scars: McAlpine's Pearyn slate quarry, Bethesda, north Wales

Quarries head for the coast

Andrew Taylor looks at proposals to limit the damage caused by extracting materials for the building industry

The option preferred by the department would reduce the percentage of locally produced rock, sand and gravel in England and Wales from more than 80 per cent to 64 per cent, and cut marine-dredged aggregate from 7 per cent to 6 per cent. Imports from Scottish quarries and elsewhere would be expected to rise from 1 per cent to 9 per cent, while the use of secondary and recycled materials would rise from 10 per cent to 16 per cent.

A second option, preferred by building material suppliers, would require a more gradual reduction in land-won supplies, with the proportion of crushed rock remaining constant at about 50 per cent but with sand and gravel, mostly from south-east England, falling from 32 per cent to 24 per cent by 2011.

Marine-dredged sand and gravel would rise to 8 per cent, requiring a lower increase in imports to 6 per cent by 2011, compared with 18 per cent in the department's preferred option.

The BACMI, the British Aggregate Construction Materials Industries trade association, says its members recognise the need to consider the environment but that the department's option could create

worse environmental problems. Deliveries of aggregates by sea from Scotland or Scandinavia would require large port facilities for unloading, storage and transfer to land-based transport. Construction is a fragmented activity and most deliveries would still need to be made by road.

Land-based quarries are traditionally within 30 miles of most of their customers. Deliveries from coastal areas or rail depots would require much greater lorry distances to be travelled.

Alternative materials such as slate create their own environmental problems and often cannot replace traditional aggregates in technical or cost reasons, the BACMI says. An attempt to use china clay sand from St Austell in Cornwall as a substitute for embankments and fill on the new Severn Crossing failed after it was realised that "this would involve 500 vehicles a day for more than a year – some 68m heavy goods/vehicle miles".

The BACMI advocates an increase in sea-dredged aggregates which, it says, affects only 0.03 per cent of the sea bed in the North Sea compared with 54 per cent affected by

fishing. It says the Ministry of Agriculture receives virtually no complaints from fishermen about marine dredging.

Companies say a more restrictive planning regime will not necessarily lead to higher aggregate prices needed to make investment in Scotland and Scandinavia attractive.

Tarmac says that at present planning regime will not necessarily lead to higher aggregate prices needed to make investment in Scotland and Scandinavia attractive. Tarmac says that at present planning regime will not necessarily lead to higher aggregate prices needed to make investment in Scotland and Scandinavia attractive.

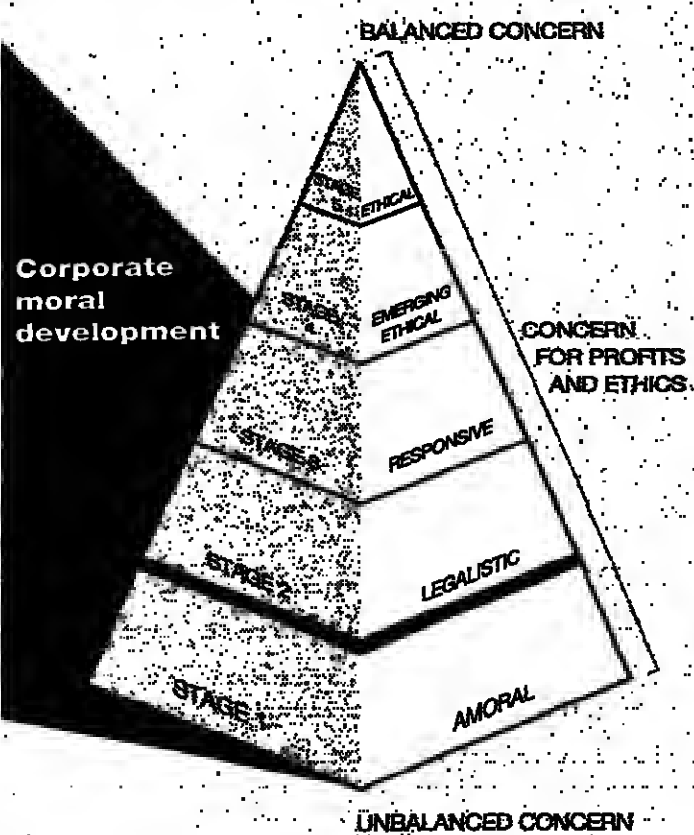
Given the uncertainty over demand and supply, it may still be difficult for companies to commit the £50m-£60m needed to open a coastal quarry even if a more restrictive policy is introduced.

The BACMI, which says that quarry operators have become more sensitive to environmental considerations, favours a more gradualist approach and would prefer a compromise between the two options.

MANAGEMENT

John Drummond considers how to achieve an ethical balance in business operations

Saints and sinners



when there is no consistent understanding and application of those standards the inevitable result will be internal, and ultimately external, confusion.

Second, waiting for a problem to occur is not sound management practice. And the consequences can be very serious, particularly in terms of risk to reputation. As never before, the media and others are now sensitive to ethical breaches. It is increasingly unlikely that ethical transgressions will go unnoticed. Remember the nostrum: "News is what someone somewhere doesn't want to see in print,

anything else is advertising". Stage three contains the responsive companies. Managers in this category understand the value of not acting solely on a legal basis, even though they believe they could win. Although a reactive mentality may remain, it is coupled with a growing sense of balance between profits and ethics. Nonetheless, the basic premise still may be a somewhat cynical "ethics pays".

Management begins to test and learn from more responsive actions. A responsive company's ethics code would reflect a concern for other stakeholders, but additional ethics

support vehicles, such as hotlines, are less likely to be found.

Reidenbach and Robin describe stage four companies, somewhat controversially, as "emerging ethical". A better term might be "ethically engaged". Managers have an active concern for ethical outcomes: "We want to do the 'right thing'."

Values are shared across the organisation. Ethical perception has focus but may still lack organisation and long term planning.

Ethical values in such companies are part of the culture. Codes of ethics are action documents, and contain statements reflecting core values. A range of ethical support measures are normally in place, such as ethical review committees, hotlines, ethical audits, and ethics counsellors or ombudsmen.

Problem solving is approached with an awareness of the ethical consequences of an action as well as its potential profitability, and pains are taken to uphold corporate values. For example, the European region of a leading international chemical company surveys staff understanding of corporate ethical standards and acts on any discrepancies.

Most progressive European companies would, one suspects, see themselves as stage three or four. At a minimum they do have ethics codes aimed at all stakeholders. They recognise that ethics comes from the inside out, and that a mission statement, for instance, is not the same as an ethics code. They are not blind to the promotional advantages of high ethics in the "caring 90s" but they understand that without employee commitment, any form of ethically orientated marketing may be at least meaningless or at worst, counter-productive.

Stage three and four companies also accept that their code of ethics is a starting point – any code not monitored and enforced rapidly becomes a dead letter. One leading UK bank has put in place a range of instruments for enlisting staff commitment to its code, including ethics hotlines and regular assessment of code effectiveness.

Lastly, stage five represents what the researchers call the ethics organisation. Here there is a total ethical profile, with carefully selected core values (and an approach to hiring, training, firing and rewarding) which reflect it.

The answer is not to attempt to turn staff and companies into saints, but rather to strike a suitable ethical balance in business operations, to minimise reputational risk.

The author is managing director of London-based Integrity Works. He is also co-author of *Managing Business Ethics*, published this week by Butterworth Heinemann. Price £17.95.

BOOK REVIEW

The continuing search for excellence

By Christopher Lorenz

When Tom Peters and Robert Waterman were consultant colleagues in McKinsey & Co's organisation practice in the 1970s, Waterman played godfather to Peters, the brilliant but reckless junior. But since they went their separate ways after the staggering success of a decade ago of their best-seller, *In Search of Excellence*, it is Peters who has had the higher profile.

His string of charismatic shockers, notably *Thriving on Chaos* and *Liberation Management*, eclipsed the quieter Waterman's equally perceptive works, *The Renewal Factor* and *Adhocracy: The Power to Change*.

With this latest volume, *The Frontiers of Excellence*, Waterman deserves to hit the same heights as Peters. In the US, where the book's local title is *What America Does Right*, its timing is especially good: after several years of self-doubt, American business is ripe for the same sort of confidence-booster that *In Search of Excellence* proved in 1983-83.

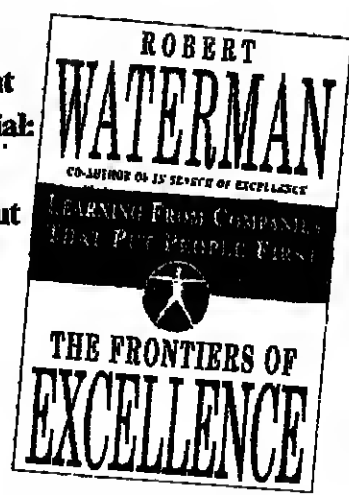
The core of Waterman's message is captured in his subtitle: *Learning From Companies That Put People First*. His argument is simple if controversial: that today's top companies, like those which have remained successful over the long term, do not put the shareholders first. Instead, they pay primary attention to employees and customers.

As a result they perform far more effectively than their rivals, and thereby deliver superior results to their shareholders.

They do this, says Waterman, by being better organised to meet the needs of their employees, thereby motivating them unusually well; and to meet the needs of customers by being either more innovative, more reliable or cheaper – or all three.

This is simple to state but difficult to achieve. Waterman devotes almost the entire book to examining how 10 US organisations "put people first": how the courier company Federal Express strikes an ideal balance between what he calls "potentially oppressive systems and the

'Waterman's argument is simple if controversial: that today's top companies ... do not put the shareholders first. Instead they pay primary attention to employees and customers'



cheerful attitudes of a deeply enthusiastic workforce": how Levi Strauss, the clothing manufacturer, creates employee commitment and a set of empowering "shared values" in a sweatshop industry; how household goods company Rubbermaid and consumer products group Procter & Gamble have remained so innovative for so long; how Motorola's 50-year-old maxim of "anticipate and commit" has inspired the telecoms company to change its business several times and improve product quality; and so on.

Along the way, Waterman provides several valuable insights: into the nature of leadership in a decentralised, shallow organisation ("today's leaders understand that you have to give up control to get results – they act as coaches not as 'the boss'"); into the importance to strategic success of building relationships with customers and suppliers that are hard for rivals to duplicate; and in the consequent need to organise outwards and downwards to please customers and employees, rather than upwards to please the boss.

These principles emerge from the wealth of practical detail, so that the reader has a sense of learning alongside Waterman

rather than being lectured. That said, the book has minor flaws. Prime among them is Waterman's very enthusiasm, boyishly infectious though it is for the most part. His celebration of P&G's innovation, and its history of encouraging self-managed teams in several factories, hardly pauses to consider claims that its head office has a Stalinist, oppressive culture.

Waterman also concentrates too much on the well-known potential for companies to liberate the initiative of their frontline employees. Far too little of the book deals with the trickier and more complex question of whether middle and senior managers – those who keep their jobs – can be liberated in similar fashion.

Waterman also ducks the thorny question of why some great companies stumble badly, while others remain vibrant.

To conclude that we should "learn from the best while they're good and move on when they lose their edge" is a cop-out unworthy of the manifest intelligence which Waterman shows in the rest of this very readable book.

* *The Frontiers of Excellence*, published in April by Nicholas Brearley Publishing, price £16.99 (in the US: *What America Does Right*, published by Norton, \$25).

PEOPLE

IS INTERNATIONAL INVESTMENT



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☐ 3 Other Services

☐ 4 Transport/Travel/Communications

☐ 5 Distribution/Retail/Wholesale

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☐ 99 Other (Please state _____)

Age

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☐ 2 25-34

Types of Investment currently held

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☐ 2 International Equities

☐ 3 Overseas Deposits

☐ 4 Property

☐ 5 Bonds

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☐ 99 None

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☐ 3 Charge Card (e.g. Amex)

☐ 99 None

Neil Richardson joins Ian Martin's Glenisla

Neil Richardson, 37, (right) has been appointed as the first investment director of Glenisla Group, the privately held London-based investment firm set up last month by Ian Martin with financial backing from Kohlberg Kravis Roberts, the Wall Street leveraged buy-out specialist.

His appointment marks the first step by Martin, chairman and joint founder of Glenisla and formerly deputy chairman of Grand Metropolitan, towards putting together his team of financial experts. Glenisla has been set up to seek out undervalued investment opportunities in the UK and western Europe in a wide range of consumer and non-consumer industries. According to Martin, Richardson will be responsible for "identifying

and developing acquisition opportunities, assessing potential targets and overseeing transactions through to completion".

Richardson moves from CS First Boston where he has been director of UK mergers and acquisitions and instrumental in building up CS First Boston's European merger and acquisition business which now employs 45 professionals in London. At CS First Boston Richardson was responsible for creating and overseeing transactions such as STC's sale of an 80 per cent stake in ICL to Fujitsu, Burton Group's sale of its financial services operations to GE Capital and House of Fraser's sale of its credit operations and recent overall restructuring.

Over the past decade, Rich-



ardson has been involved in transactions with an aggregate value of over \$10bn. Before joining CS First Boston in New York in 1986, he spent six years with Bain & Company, the strategy consultants.

Richardson was educated at Ashington Grammar School in Northumberland where he was one of the first pupils to gain admission to Oxbridge. He read chemistry at New College, Oxford, and spent his final year researching the photochemistry of the ozone layer.

■ Dennis Millard, a US citizen who has spent the past seven years based in the UK as director of finance and strategy at Plate Glass Group, which is listed in South Africa, has been appointed finance director at MEDEVA.

■ Ralph Ellis, chairman of British Gas South Eastern, has been appointed director of property at BRITISH GAS.

■ Alastair Wilson, formerly md of William Younger (Yorkshire), has been appointed md of Newcastle Breweries, part of SCOTTISH & NEWCASTLE BREWERIES; he succeeds Haydn Biddle.

■ David Walker (above left), formerly divisional director



with Lex Retail Group, has been appointed md of HYUNDAI CAR (UK).

■ Simon Norris (above right), formerly head of employment strategy at part of British Aerospace, has been appointed personnel director of REMPLY on the retirement of Mark Daymond.

■ John Ramsey, formerly md of Salisburys, part of Signet Group, has been appointed md

of HILTON National.

■ Lawrence Condon, sales and marketing director of Anglian Windows, has been appointed to the board of ANGLIAN GROUP.

■ Stewart Gilliland has been appointed director of take home and to the board of WHITBREAD Beer Company.

■ George Suberland, formerly financial controller in Hong Kong for Shell International Petroleum, has been appointed director of finance of the UNIVERSITY OF EDINBURGH.

■ Ooi Boon Ann has been appointed a director of LONDON FORFATTING COMPANY.

Non-executive directors

From this Friday, John Devaney, chief executive of Eastern Electricity, will join the board of Midland bank as a non-executive director. On the same day, Sir Colin Marshall, chairman of British Airways, will step down from the Midland board while remaining a non-executive member of the board of HSBC, which owns Midland.

Three months later, Tony Hales, chief executive of Allied Lyons, will become a Midland non-executive, bringing the non-executive element of the 13-strong Midland board back to full strength. It has been one short since Charles Mackay, chief executive of Inchcape, stepped down a few months ago.

■ Martin Llowarch, already on the board, as deputy chairman at ABBEY NATIONAL.

■ Clive Clague, recently retired director at Electra Investment Trust, at ON DEMAND INFORMATION.

■ David Hodgson, senior partner of Paterson Bateman and Hodgson, as chairman at the BEVERLEY BUILDING SOCIETY.

■ Lord McAlpine of West Green at DEVELOPMENT SECURITIES; and William Grant at DEVELOPMENT SECURITIES PROPERTY INVESTMENTS.

■ David Swallow has resigned from BRENT INTERNATIONAL.

■ David Benson, a director of Sea Containers, at the ISLE OF MAN STEAM PACKET COMPANY; Michael Aiken has resigned.

■ Keith James, former senior and founding partner at Needham and James, at HUNT & CO.

■ Jonathan Davies has resigned from HTV GROUP.

■ Peter Newton, former director of County Natwest Securities Australia, at GEMCOR.

■ Bill Richardson, retired director of commercial services at British Steel, at STEMCOR HOLDINGS.

■ John Dowling, former chief executive of Charrington Industrial Holdings, as chairman at WORLD FLUIDS HOLDINGS.

■ Mark Radcliffe, a director of the SFA and chairman of the Stock Exchange Working Party on smaller companies, and formerly a director of TI Group, at WILLIAM JACKS.

Graham Watson changes teams

Graham Watson, one of Scotland's leading corporate finance specialists, has become a partner of the accountancy firm Touche Ross. He wants to help make its Scottish branch into a leading adviser on corporate finance north of the border, eventually, he hopes, putting it on a par with Scottish merchant banks such as Noble Grossart.

Watson, 36, worked at Noble Grossart for eight years after training as a CA. In 1991 he resigned as a director to set up Carnegie, giving financial advice to sportsmen and football and rugby clubs.

He had already come up with

the debenture issue which enabled Rangers to finance a new stand and had launched a similar issue for Arsenal, before advising the Scottish Rugby Union on its £37m Murrayfield stadium project. Carnegie looks after the affairs of golfer Sam Torrance and footballer Ally McCoist.

Last October Watson unexpectedly resigned as MD of Carnegie because of disagreement over strategy with its main shareholder, David Murray, chairman of Murray International and of Rangers. Carnegie subsequently moved its HQ from Edinburgh to London and opened up in New Zealand

and New York.

Touche Ross already has two partners in Scotland dealing with corporate finance, David Shearer and Peter Holmes, who last week took credit for devising the £72m management buy-in of 25 engineering subsidiaries of Cookson, the specialist industrial materials group.

Watson says that since firms like Touche Ross already provide companies with tax advice and management consultancy, "there is no reason why we should also hand over to merchant banks the role of being corporate finance advisers as well".

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The Morris Minor of jazz

Dated but lovable and reliable, it simply will not go away. Though it first appeared over 40 years ago, the Hammond B3 organ's teeth-grating treble sound is as popular with today's hip set as it was during the heyday of greasy soul jazz. Given the other uses to which the instrument has been applied - in gloomy cocktail lounges and brightly lit social clubs - it is a wonder that every one has not been smashed up and buried in a secret place.

It is the Morris Minor of the jazz world and the reason there are still so many on the road, held together by gaffer tape and nicotine, is that in the right hands the Hammond can be made to swing like crazy. Few other instruments, running on a mixture of gospel and blues, can transport a small group to the heights a B3 can. Usually found in the company of an electric guitar and drums (or tenor sax and drums) the Hammond driver can prod out solos, or provide mounting excitement for other soloists to adorn, and all the while moving things along with thick bass lines from the pedals. The purists might even use an original Leslie speaker, a device whose spinning reflector

Garry Booth reviews Jimmy Smith and his B3 Hammond organ

emphasises the already shrill vibrato. More often the original is souped up by new technology - the young German player, Barbara Demerlein, heard at Dingwalls last week, makes the most of her deft left foot by using a sampled double bass sound for the pedals, in the place of the gritty original.

It is unlikely that the Hammond would have got this far without the attention of one man. Jimmy Smith single-handedly reinvented the Hammond organ sound in the late 1950s with a series of jam session recordings for the Blue Note label. Sizzling blues which wrung the lowdown best from born players like Lou Donaldson and Jackie Maclean were an instant success. Apart from taking a wrong turning into pop-crossover in the latter part of the 1960s, Smith has been following that same, funky road since.

Seeing the youthful Smith seated behind the vanished for years of his B3 at Dingwalls five nights this week with a quartet of saxophones (Herman Riley), electric guitar (Terry Evans) and drums (Jimmie Smith Jr), the years roll back. The tunes are almost irrelevant: it is the groove that is important to Smith, an inveterate crowd pleaser. The preacher sends flurries of titillating notes out from the right hand, a padding of droning chords from the left. His guitarist, while not up to the kind of licks Kenny Burrell would spin from the organist's chords, is suitably twangy and sings a passable "Georgia". Riley's upper register sax sound providing gritty solo parts, and jocular conversation with the leader. And yes, "Back To The Chicksenback" did creep out, deliciously.

But on Monday Smith sometimes seemed too relaxed and verged dangerously towards the cocktail lounge end of bland, tinkling improvisation. His instinctive and competitive player, Smith always excels in tough company and is capable of leading the best of jazz bluesmen. Hearing him in undermanned company like this is still a joy - but what a pity Burrell cannot be prised away from B.B. King for a reunion match.

Did you see that excellent programme *Modern Art* about the Musée d'Orsay? Tim Benton expressed the intriguing thought that the curators exhibited the Impressionists but did not dare put out their big collection of "pompiest art" - all that 19th century wedding cake stuff - although they recognised its historic importance, because they feared that people might think they actually liked it.

And what about that documentary on the development of the bicycle, *Design Principles*, which showed that some of the best designs have never been mass produced because of bureaucratic rules about the definition of "bicycle"? Did you catch Ron Moody playing Aristotle, Galileo and Newton in that short drama about the beginnings of physics, *Newton's Revolution*? Or see the eye-opening programme *Managing Schools* which showed how the theory of "collectivity" (oh dear) has led to committees mania with some teachers now seeming to spend as much time referring up or down and making references back as they spend in the classroom?

If the answer in each case is no, it is hardly surprising, because none of those programmes was trendy or "sexy" within television's special definition (striking and appealingly fashionable). They were not made to win big ratings and, since none of them appealed to the lowest common denominator, they were not promoted by the BBC which screened them all. Indeed, the BBC barely acknowledges their existence. They are all Open University programmes, and consequently shown on BBC2, early in the morning or late at night, coned off behind the OU logo.

Yet they are available to us all, and if you seek them out - loading the video recorder each night with a three-hour tape timed to start at 6.15 in the morning is the best way - you find yourself watching the sort of television which you may have forgotten was possible. Television does not have to come at you all the time like a fairground stall staffed by teenage speed freaks. There is a calmness and an intelligence here which is wonderfully refreshing.

Of course not all OU programmes are made to the same standard, or in the same style, and, unless you are a true polymath, some will leave you baffled. I stuck with *Genetics - Beyond The Double Helix* while they explained how miles of DNA is coiled up neatly to get it inside a cell, but when they began to assume that I knew the meaning of things such as "X-ray diffraction" I gave up. *Pure Maths: Orthogonal Bases* deserted even faster since I did not understand the symbols.



You may have to seek it out, but you can still find the sort of television you may have forgotten was possible: Ron Moody in 'Newton's Revolution'

Television/Christopher Dunkley

Enlightenment for all

However, at the other end of the spectrum are programmes which are almost indistinguishable from the more serious offerings in mainstream television. Some, such as an episode in the *Technology* series billed as "Eureka! Art", turn out to be literally indistinguishable: this was an old *Horizon* programme about the exploitation of patents. *Performing Art*, which was simply billed as the midnight programme on BBC2 on Tuesday last week without any reference to the OU (probably sensible if the BBC wants to maximise its audience), was an engaging report on the huge success of the new Tate Gallery in St Ives. True, it was more concerned with the creation and organisation of the gallery than with the pictures

on the walls, but it could have stood up in any of television's arts slots. It was far more interesting than much of the overwhelmingly metropolitan material on *The Late Show*.

Filling the remarkably large central area between the bewilderingly specialised and the universally appealing are many programmes which, while slightly more pedantic than we would expect these days from mainstream television, are perfectly comprehensible to anyone with a reasonable education. Many are on subjects which mainstream television either ignores or treats only in a destructively reductionist manner. Outstanding in my two-week sampling was the first in a series called *Lifestyles, Work And The Family*

which compared changing expectations and social attitudes between two generations of doctors in one family and two generations of steel workers in another. No doubt this would be considered not punchy enough for television's normal current affairs series, yet in terms of history, politics in the broadest sense, and sociology, it is powerful stuff.

The episode "It's A Lovely Day Tomorrow" in the series *Science, Technology, And Everyday Life* was a startling reminder of the Polynesian attitudes towards scientific "progress" in the first half of the 20th century. Best of all, perhaps, was another episode in the *Modern Art* series which ranged widely from a discussion of attitudes

towards women in pictures by Degas and his contemporaries to an exploration of the redevelopment of Paris by Haussmann; an utterly absorbing programme.

The style may sometimes jar a little. It is usually fairly obvious that the presenters are academics first and broadcasters second, though none that I saw was completely inept, and presentation has improved since the early days. Although the flared trousers and Zapata moustaches which, thanks to repeats, appeared to survive for so long as a uniform among OU presenters, have now (almost) all gone, you can still find yourself brought up short by some Marxist comment which sounds endearingly dated, five years after the fall of the

Berlin Wall. Similarly you can still come across old fashioned finger-wagging feminism, yet both are now exceptional.

There is another difference between OU material and other television programmes. Difficult to pin down precisely, the most important aspect is probably that OU personnel do not feel compelled to strain perpetually for "balance", either politically or between any other schools of ideas. As often as not the OU tone indicates the sort of detachment and scepticism regarding all traditional and received wisdom which is such a healthy aspect of the better sort of academic life. A little more of it in mainstream television journalism could go a long way.

Theatre/Malcolm Rutherford

The Case of Rebellious Susan

What a marvellous place the theatre must have been at the beginning of the present century. Ibsen, Strindberg, Chekhov, Wilde, Shaw, Granville-Barker bursting out all over. And so modern. Here were grown-up plays for grown-up people: articulate and educated writers providing for an equally educated audience. No doubt it was very middle class and possibly slightly earnest, but it was theatre.

In Richmond the tradition continues. Even the revival of an almost forgotten play - *The Case of Rebellious Susan* by Henry Arthur Jones - has the house captivated almost throughout.

The piece has its faults. First performed at the Criterion in 1894, the text was tampered with by the actor-director Charles Wyndham on the grounds that the original might have been too shocking. In the version that has come down to us, it is not quite clear whether Susan has committed adultery in Cairo in

order to show that what a husband can do a wife can do too. Her disaffection may be all an elaborate pretence.

There are other ambiguities. Not all the motivations are intelligible. Who was the only love of the divorce lawyer, Sir Richard Kato QC? Moreover, the play ends on a note of sentimentality not wholly in line with what has gone before. Perhaps Susan should have stuck to her rebellion.

Nevertheless, she puts up a good fight. So do some of the other women. Kato has a young ward called Elaine Shrimpton. Her oratory leads to the storming of the Clapham Post Office, fully reported in *The Times*. Admiral Darby, one of the more unfaithful of the species, has a very forgiving wife, significantly called Victoria. The house where the revolutionary Elaine lives in south London is in Gladstone Road.

Clapham indeed comes in for a good deal of stick as being a boring,

conventional London suburb. This goes down extraordinarily well in front of a Richmond audience.

One caveat. If you are going to revive a play like this, you must pay every attention to detail. The set in the lovely, tiny Orange Tree theatre brings it off. Yet some of the costumes do not quite fit. I cannot imagine that Sir Richard Kato would wear a morning coat that looks as if it has been picked up from Oxfam. Kirky, the footman, also looks a bit scruffy.

For the rest, however, this is a scintillating production directed by Auriol Smith. Is it a comedy or a tragedy? In the course of the play Jones seeks to answer the question himself. "My comedy isn't a comedy at all. It's a tragedy dressed up as a comedy." That is about right. Sarah-Jane Fenton as Susan becomes steadily more attractive as the piece goes on.

Orange Tree, Richmond. (081) 940 8683

Ageing into Variety

It is just like the good old days at the Palladium for the next week or so. There is a comedian topping the bill, telling jokes, performing sketches, getting involved in slapstick.

The fact that the jokes (Man: "Got a copy of *Psychic News*? Shopkeeper: "You tell me") have the patina of history; the sketches (the blindfolded Great Mysterio just cannot conjure up a right answer for his feed) are of Victorian vintage; and the slapstick (two men compete for the favours of a third wearing a skimpy bikini) had them roaring at the Coliseum - in Rome - add to the warm glow of communal memory.

The only thing slightly disturbing is that this is Paul Merton's show, Merton the cynical, deadpan, alternative comedian.

Although Paul Merton rose to TV fame through stand-up routines in comedy clubs, he has always been too laudish to be your typically PC-alternative ranters. His audience

is the lower middle class and it was out in force on Monday, willing their boy on. He got there in the end, but it was a tough battle.

Only in a protracted skit on *Aladdin*, with Merton somehow playing Buttons, did the Palladium

Antony Thornecroft finds alternative comedian Paul Merton distancing himself from his television past

come to life. (Buttons "I haven't got any friends". Audience: "saah". Buttons - aggressively - "Don't you patronise me".)

Merton shares the stage with Lee Simpson and Richard Vranich. Perhaps it is inevitable that the young Turks of comedy eventually age into variety stars, but there is something dispiriting about

watching Merton do monologues about his school days, and Simpson and Vranich perform sketches honed in the music halls.

What saves it, and makes for a mildly amusing evening, is Merton's aggrieved innocence, put over with a professional precision and clarity. Many of the one liners have his special mark on them - "I disturbed a burglar last night. I told him there was no God" - and when he does occasionally let rip on the ad libs his famed stream-of-consciousness ravings show signs of genius.

Paul Merton seems to be distancing himself from his television past - his sparring partner on *Have I Got News for You*, Angus Deayton, bears the brunt of a running joke (he is portrayed as a suspended suit), and Merton even has a go at improvisation: "if you can't be bothered to learn the words why do it at all."

But this very English, very traditional, evening hardly stretches his talent.

INTERNATIONAL ARTS GUIDE

BORDEAUX

Palais des Sports Tonight, tomorrow: Mubai Tang conducts Orchestre National Bordeaux Aquitaine in works by Mendelssohn and Shostakovich, with violin soloist Midori. Sun (at Grand-Théâtre): Alain Lombard conducts an all-Haydn programme, with trumpet soloist Sergei Nakarakov (5648 5854)

COLOGNE

Philharmonia Tonight: Alfred Brendel plays Beethoven piano sonatas. Tomorrow: Dmitri Hvorostovsky, James Galway, the Labèque Sisters and others take part in opening of 1994 KlassikKomm. Fri: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in works by Beethoven and Dvorak. Sat: Helmuth Filling conducts Bach's *Matthew Passion*. Sun morning: Frank Martin's *Oratorio Golgotha*. Sun afternoon: Martin Haselböck directs Wiener Akademie in a Haydn programme. Sun evening: Gidon

Kremer and friends (0221-2801) Opernhaus Tonight: Helen Donath song recital. Fri: Harry Kupfer's production of Shostakovich's *The Nose*. Sat: Jochen Ulrich's choreography of Peer Gynt. Sun: James Conlon conducts first night of Anthony Pliavachi's new production of Peter Grimes, with cast headed by Ben Heppner, Carolyn James and Victor Braun (repeated April 1, 4, 7, 10, 13, 16, 19). Tues: Rigoletto (0221-221 8400)

COPENHAGEN

Royal Theatre Tonight: Così fan tutte. Tomorrow: New new ballets by Anna Laerkesen and Laura Dean. Fri, Sun afternoon: Carmen. Sat: Helgi Tomasson's new production of *Sleeping Beauty*. Tues: Paavo Berglund conducts Dieter Keegi's new production of *Fidelio*. Next Wed: Boja Skovhus song recital (tel 3314 1002 fax 3312 3692)

DRESDEN

Semperoper Tonight: Sat: The Bartered Bride. Tomorrow: La traviata. Fri: Prokofiev's ballet *Romeo and Juliet*. Sun, Mon: Giuseppe Sinopoli conducts Dresden Staatskapelle in Schumann's oratorio *Das Paradies und die Peri* (0351-484 2323) Kulturpalast Sat, Sun: Jörg-Peter Weigle conducts Dresden Philharmonic Orchestra and Chorus in Bach's *St John Passion* (0351-486 6656)

FRANKFURT

Alle Oper Tonight: Lorin Maazel conducts Bavarian Radio Symphony

Orchestra in an all-Richard Strauss programme. Tomorrow, Fri: Pinchas Zukerman conducts Frankfurt Radio Symphony Orchestra in Bach and Bruckner. Sat: US Army Band and German-American Chorus in an evening of American popular music. Sun: Alfred Brendel plays Beethoven piano sonatas. March 30-April 4: Budapest State Opera in Der Zigeunerbaron (069-134 0400) Jahrhundertheater Hochschule Fri, Sat: Ballet of Geneva's Grand Théâtre in choreographies by Ohad Naharin (069-360 1240) Oper Fri, Sun: Sylvain Cambreling conducts Herbert Wernicke's new production of Duke Bluebeard's Castle, with Henk Smit and Katharina Ciesinski (069-236061) English Theater Kaiserstrasse A new production of Arthur Miller's 1991 play *The Ride Down Mount Morgan* opens on Fri, with previews tonight and tomorrow (069-2423 1620)

GOTHENBURG

Konserthuset Yvengy Svetlanov conducts the next two weeks of concerts by the Gothenburg Symphony Orchestra. Tomorrow and Fri: Mahler's Sixth Symphony. Next Wed: Mozart and Rimsky-Korsakov. Barbara Hendricks gives a song recital on Tues (031-167000)

HAMBURG

Musikhalle Tonight: Daniel Nazareth conducts MOR Symphony Orchestra and Chorus in Verdi's *Requiem*. Tomorrow: Andreas Schiff piano recital. Sat evening, Sun morning: North German Radio Symphony

Orchestra plays Wagner. Mon: Lynn Harrell cello recital (040-354414) Staatsoper Repertory over the next two weeks includes a Ring cycle conducted by Gerd Albrecht, La traviata with Tiziana Fabbricini as Violetta, Der Wildschütz and Fidelio (040-351721)

HELSINKI

Finnish National Opera Tonight, tomorrow: new Stravinsky ballet programme, including world premiere of Jorma Uotinen's *Petrushka*. Fri: Otello. Sat: Nicolaïa Olei kstigen Weiber von Windsor. April 10, 12, 13: guest performances by Deutsche Oper Berlin (0-4030 2211)

LYON

Opéra Tonight, Fri, Sat (also April 7-10): American Ballet Evening, choreographies by Bill T. Jones, Stephen Petronio and Susan Stiefel. Tomorrow: Kent Nagano conducts symphonic and vocal works by Canteloube, Debussy and Ravel, with soprano soloist Dawn Upshaw. March 30-April 3: Pina Bausch Tanztheater Wuppertal (tel 7200 4545 fax 7200 4546) Auditorium Tomorrow, Fri: Gennadi Rozhdestvensky conducts Orchestre National de Lyon in works by Saint-Saëns and Mendelssohn, with piano soloist Viktoria Postnikova. April 5: Martha Argerich (7880 3713)

MONTE CARLO

Salle Garnier Tonight, Fri, Sun afternoon: Evelino Pido conducts Jonathan Miller's new production of *Anna Bolena*, with Glusly Devinu,

Denyce Graves and Roberto Scanduzzi (9216 2299)

MUNICH

Staatsoper Tonight, Sun, next Wed and Sat: Lady Macbeth of Mtsensk with Marilyn Schmiege and Jan Binkhof. Tomorrow: Ivor Bolton conducts Richard Jones' new production of Giulio Cesare, with Ann Murray, Kathleen Kuhlmann, Trudell Schmidt, Pamela Coburn and Christopher Robson. Fri, Mon: Maistersinger with Bernd Weild, Francisco Araiza and Karita Mattila. Sat, next Tues: choreographies by Uwe Scholz. Hans van Manen and Jiri Kylian (089-221316) Gastspiel Tomorrow, Fri, Sun morning, Mon: Christoph von Dohnanyi conducts Munich Philharmonic Orchestra in works by K.A. Hartmann, Berg and Dvorak, with violin soloist Frank Peter Zimmermann (089-4808 8614)

OSLO

Konsertshuset Tomorrow, Fri: Klaus Weisse conducts Oslo Philharmonic Orchestra and Chorus in Berlioz's *Requiem* (2283 3200) Folketeatret Fri: first night of new production of Die Walküre, second instalment of Norwegian National Opera's Ring cycle conducted by Heinz Fricke. The cast includes Carol Yahr, Marianne Häggander and Oddbjørn Tennfjord. Repeated April 6, 9, 13, May 14 and 19, with Das Rheingold on May 5 and 7 (tel 2242 7724 fax 2242 7877)

STOCKHOLM

Royal Opera Tonight: Suppléa

opera Boccaccio. Tomorrow, Fri, Sat afternoon, next Tues and Thurs: Natalia Makarova's production of *La Bayadère*. Next Mon and Wed: La bohème tickets 08-248240 information 08-203515) Konserthuset Tonight, tomorrow: Iona Brown directs Academy of St Martin in the Fields (tickets 08-102110 information 08-212520) Berwaldhallen Sat afternoon: Emmanuel Krivine conducts Swedish Radio Symphony Orchestra in works by Debussy, Bartók and Dvorak (08-784 1800)

STRASBOURG

Palais de la Musique Tonight, Sun afternoon: Friedrich Halder conducts concert performances of Roberto Devereux, with cast headed by Edita Gruberova. Fri: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in symphonies by Haydn, Beethoven and Schumann (8875 4823)

STUTTGART

Staatstheater Tonight: Achim Freyer's production of Der Freischütz. Tomorrow, next Tues: Der Rosenkavalier with Ellen Shade and Helmut Berger-Tuna. Fri: Marcia Haydée's version of Glazunov's ballet *Raymonda*. Sat: Johannes Schaeff's production of *Rigoletto*, with Wolfgang Schöne in title role. Sun morning, Mon evening in Liederhalle: Michael Gielen conducts Bruckner's Eighth Symphony (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time)

MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230, 2030

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730;

Edward Mortimer



Wave after wave of applicant countries comes crashing on to the shores of the European Union. The European Free Trade Association (Efta) wave has just broken, but behind it the central European wave already looms high and menacing.

Mr Peter Boross, the Hungarian prime minister, faces a general election on May 8. No one in Budapest doubts that his desire to file an EU membership application in April is closely related to this fact.

Mr Boross's conservative nationalist party, the Hungarian Democratic Forum (MDF), which has governed Hungary for the last four years, is struggling to climb back from fourth place in recent opinion polls, which give the socialist (formerly communist) party a commanding lead.

Economically, Hungary's recovery from post-communist depression has begun: industrial production grew by four per cent in 1993, after falling steeply in each of the three previous years. But GDP still registered a slight drop, thanks to a collapse in agricultural output, and there is a long way to go to get back to 1989 levels.

Most Hungarians compare their present circumstances unfavourably with those they enjoyed under "goulash communism" in the 1980s, even though few imagine that it is possible to go back to that phase, during which a totalitarian system was being gradually and hesitantly relaxed.

The socialists themselves accept that the transition to market-driven capitalism is now irreversible. But they offer to manage the transition better and to protect the weak against its worst effects. Such promises may be worthless, but many voters want to believe them, or at least to see what a change of government will bring. Mr Boross's only hope of winning back his party's supporters lies in convincing them that the long-term strategy of his predecessor József Antall (who died in December) is still on track. That strategy aimed to make Hungary a fully western country, a member of the EU and Nato, by the end of the century.

On Nato, the government is making the best of the half-success achieved at the summit in

Thirsty for a potion

The Hungarian parliament yesterday voted to apply for EU entry

January, when Nato promised to admit new members in the future but avoided saying who or when. On the EU the position is slightly clearer, since last June's Copenhagen summit explicitly offered the prospect of full membership to those central and east European countries that have association agreements.

Since February, Hungary has such an agreement fully in force. Filing a membership application now will probably not affect the final outcome, or the timetable of negotiations, which will be determined by arguments among the EU's existing members, but symbolically it will be an important milestone on the road.

Opposition parties are irritated by the government's willingness to exploit this symbolism for electoral purposes, but none of them would dream of opposing the strategy. There is an all-party consensus on EU membership, but few Hungarians of any party seem to have thought out the full implications, or to have followed the arguments within the EU about the direction it should take. Federal or confederal, deep or shallow, it makes no difference. Hungary must be in.

An economic rationale for this attitude can be given: as a small country on the edge of a large economic bloc, Hungary needs to be inside rather than outside. But it is clear that that is not the main reason.

What Hungarians want above all security.

Security from what? Russia? From their more immediate neighbours? From themselves? Put any of these threats to them in specific terms and they will tend to play it down. The Russian threat is in the background, but for Hungary, much more than for Poland, it is now reasonably remote. The suggestion that Hungary could be drawn into Balkan conflicts, by concern for the Hungarian minorities in Serbia and Romania, is indignantly rejected, as is any questioning of the stability or permanence of Hungary's internal democracy.

All these are spectres which haunt the Hungarian soul in the dark hours of night, even though in daylight they may seem far-fetched (and anyway they should be kept out of sight for fear of scaring off investors). Or rather they are different shapes assumed by a single, more permanent spectre that lurks just below the surface of Hungary's collective psyche - a spectre called "the tragic past", a history of war, defeat and conquest punctuated by brief moments of glory.

That of course is something Hungary has in common with the rest of central Europe, indeed with Europe as a whole. But it is something western Europe is seen as having escaped from since 1945 - give or take a few nasty local exceptions like Northern Ireland. If western Europe has escaped, central Europeans tend to assume that it must have done so by taking magic potions. A range of bottles is on show in the west European pharmacist's window, and central Europe is determined to try them all. Some, labelled Conference on Security and Co-operation in Europe (CSCE), Council of Europe, North Atlantic Co-operation Council (NATO), it has already swallowed. They taste disappointingly bland, and the latest to be pushed across the counter at Nato's January summit, labelled "Partnership for Peace", smells similar.

But there are two bottles in the back of the shop, with very high price tags, which the chemist seems curiously reluctant to dispense. One is Nato, and the other has just been re-labelled "EU". They surely contain the real stuff. At any rate, central Europeans will not be content until they have tried them out.

A French vehicle fleet management company, an Austrian consumer finance business, a Swedish computer leasing concern: piece by piece, GE Capital is stitching together one of Europe's broadest financial groups.

All three acquisitions have been announced by the financial services subsidiary of General Electric, the US industrial giant, since last summer. GE Capital has also helped bail out GPA, the Irish aircraft leasing group, taken a stake in a Monaco-based ship management business, and acquired interests in other European financial sector concerns.

Its involvement in businesses such as car sales financing, leasing lorry trailers and servicing other companies' mortgage portfolios has not made headline news. It tends to buy small, picking up \$300m of assets here, \$300m there. But if its record in the US is anything to go by, GE Capital's competitors in the European financial services industry have plenty to worry about.

Last week's \$2.2bn bid in the US for Kemper, a financial services group based in Chicago, threw a rare spotlight on the company's ambitions. If it succeeds in forcing Kemper to accept its unwanted advances, GE Capital will emerge as one of the biggest fund management groups in the US.

GE Capital's track record in recent years is envied by rivals. While other industrial companies that ventured into financial services in the 1980s got their fingers burnt, GE has thrived. The assets in its main financing operations have doubled in the past four years, reaching \$1.18bn at the end of last year. That does not include the assets of a specialist insurance operation and Kidder Peabody, the investment bank it owns.

GE Capital is one of the most consistently profitable companies in the US financial sector. While the country's commercial banks were going through problems with real estate and leveraged buy-outs in 1990 and 1991, GE Capital barely flinched. The company was not totally immune from such difficulties but a policy of not lending for new construction - which proved the riskiest form of real estate lending - kept it away from the worst effects of the late-1980s building boom.

Its robust balance sheet also enabled it to shrug off the problems from leveraged lending. From 18 per cent in 1988, its post-tax return on capital edged down to 17 per cent in

General Electric's fast-growing financial services offshoot is looking to Europe, says Richard Waters

Global expansion to cap it all

1990, but has since climbed back steadily. Last year, it was 18.5 per cent.

The result: while other financial businesses in the US shed assets, GE Capital has been buying. It has spent \$2bn or more a year on acquisitions in each of the past three years, preferring to pick up businesses being discarded by others. Last year's haul included the assets of the credit card business of oil company Exxon, and the railcar leasing business of Chrysler.

Real estate has become a particular focus of its acquisition policy. Apparently believing that it is buying at the bottom of the market, GE Capital has added to its mountain of property assets in recent months, taking advantage of the fact that banks and insurance companies are still cutting their involvement in the sector.

In the past year GE Capital has bought \$1bn of property from First Chicago bank and \$1.1bn from the Resolution Trust Corporation, the government agency responsible for selling the assets of failed savings and loans institutions. It also took on \$1.1bn of property when it bought two annuity companies last year, GNA and United Pacific Life.

It is still buying property: GE Capital's latest target, Kemper, has \$1.7bn of property on its books. Acquiring Kemper would also mark a renewed interest by GE Capital in the investment business. GE Capital's earlier involvement in the sector proved disappointing. Kidder Peabody was a loss-maker in the early-1990s, and was long rumoured to be one company that GE would have been happy to sell. But, helped by the buoyancy of financial markets, it made operating profits of \$439m last year.

Last year, GE Capital made its first forays into the retirement savings market, with the acquisition of an annuity fund. It has also bought a small mutual funds business, with \$7bn of assets. The acquisition of Kemper would build on this. Its \$44bn of fund assets would

GE Capital: electric performance



Operating profit (\$bn)	1989	1990	1991	1992	1993
Financial	1152	1287	1452	1385	1727
Specialty insurance	351	457	501	541	770
Securities broker-dealers	53	54	119	300	439
All other	222	273	290	272	288
Total	1538	1869	2062	2298	2944

Source: GE Annual Report, 1993

put GE among the 10 biggest mutual fund businesses in the US. If Kemper's life insurance business, and GE's other fund management activities were added in, GE would control \$150bn of investments.

In Europe, GE Capital is at a much earlier stage of development. It made some sizeable acquisitions in the 1990s, including the credit card business of UK retailers Burton and House of Fraser and the vehicle fleet services business of Avis Rent a Car. But the pace of smaller purchases in recent months indicates its intention to build on these interests.

With the European financial sector under recessionary pressures, the US giant has been growing for acquisitions: it is no coincidence that three of its recent buys, announced last

month, were the vehicle finance, computer leasing and office equipment leasing companies of Skandinaviska Enskilda Banken, the troubled Scandinavian bank.

Europe is not the only focus of its interest, however: investments since last summer include an automobile financing company in Thailand and a vehicle fleet company in Canada.

In its adventures outside the US, GE Capital has three factors in its favour.

First, it has access to a cheap supply of the basic raw material that drives its business - cash. With a triple-A credit rating, GE Capital ranks among the best-regarded borrowers in the capital markets (unlike banks, it does not collect deposits to lend on to borrow-

ers). The interest rate it paid on its outstanding short-term debt at the end of last year was 3.36 per cent, down from 3.57 per cent a year before. With short-term borrowings of \$45bn, every hundredth of a percentage point counts.

Ironically, the more successful GE Capital becomes, the more its triple-A rating could be at risk. The financial company relies on the backing of its parent for its top rating. As GE Capital's profits become more important to GE - last year they amounted to 40 per cent of the total - so the parent's own rating becomes less robust.

"At what point does the tail start wagging the dog?" asks Mr Ray Miller of Standard & Poor's, the rating agency. "That's something we're wrestling with now."

When it comes to buying financial assets, GE Capital's robust balance sheet makes it one of the first on most sellers' lists. It could turn out to be the only serious bidder for Kemper, while commercial banks have their sights set on the mutual fund industry, few are likely to have the stomach for Kemper's \$1.5bn of under-performing real estate assets.

A second advantage, often commented upon, is the fact that GE Capital is not a bank, and so does not suffer from the dead hand of banking regulation in the US. In reality, this is much exaggerated. Banks also carry out their credit card, leasing and consumer financing activities through non-bank subsidiaries.

More significant is a third advantage: a management team with an unparalleled reputation and record in its industry. Under Mr Gary Wendt, its head for the past eight years, GE Capital has won a name for driving hard bargains as a purchaser and for a fanatical attention to costs. Mr Wendt is regarded in the industry as a close ally of Mr Jack Welch, chairman of General Electric.

The financial services company shares the low-cost culture of the industrial group of which it is a part. Its use of technology to reduce processing costs and generate management information is also far in advance of the banking industry, becoming an executive in one of the biggest US banks.

"They think differently from us. They approach things differently," the executive says. It is a difference that European banks may be about to discover.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Treasury: masterminding the UK's decline

From Mr Ian Phillips.
Sir, So we are told that an influential committee of MPs is recommending that the Post Office should be free to raise money outside the public sector borrowing requirement to help it compete ("MPs urge more access to funds for Post Office", March 15). At the same time the Cabinet is reportedly deadlocked on a leasing deal that would provide London Transport's Northern Line with badly needed new rolling stock, with the chief secretary insisting that it would be a financial breach of public borrowing rules. We hear also the armed services are considering leasing vehicles in order to save money, although doubtless the rules will be broken.

I thought the Rylee rules were dead, and that the prime minister, when in a previous post, claimed to have done away with many of the restrictions that blur public/private sector investment decision-making to the country's disadvantage.

Or do we have to wait for Sir Alastair Morton's committee to grant breach of public borrowing rules. We hear also the armed services are considering leasing vehicles in order to save money, although doubtless the rules will be broken.

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come up with miracles? No, the truth of the matter is that even if they do produce some good ideas Treasury orthodoxy will see them off. Even were there are good infrastructure projects that earn a decent rate of return they fail to go forward because of the dear old public sector borrowing requirement, and our inexorable decline goes on, masterminded by the Treasury. And these are the guys who get us into and out of the exchange rate mechanism, achieving the proud feat of bad

timings on both occasions, and who have consistently mismanaged interest rates and exchange rates in both good times and bad.

I would like to support Sir John Banham's reported view that the Treasury should be abolished as part of a drive to refocus policy making ("Banham calls for Treasury abolition", March 21). Ian Phillips, Glee Cottage, Dunstable, Bedfordshire, MK22 7JN

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would thereby have transformed the EU into a virtual free trade area, an outcome our partners know is the present government's real aim when it speaks of being at the heart of Europe. In that sense, we are a spear that will have to be deflected.

We may just be able to delay matters until 1996, but at vast cost in credibility. Whatever

happens, we will eventually be forced to have a referendum to determine our future one way or the other. Until we do so, we will have sacrificed what income we have at present on the altar of Europhobia and be unable to defend any of our real interests.

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FINANCIAL TIMES

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Wednesday March 23 1994

More or less safe pensions

The debate over minimum solvency requirements for British pension schemes may appear arcane, but it goes to the heart of the issue addressed by the Goode Committee on pension law reform. How do you protect the promise contained in the typical pension scheme trust deed to pay a given level of pension benefit?

Setting aside money in advance from which to meet pension liabilities - in a word, funding - provides security for present and future pensioners in the event of the employer running into financial difficulty. The problem is to define how much to set aside and, more specifically, to establish a minimum solvency standard to ensure adequate protection. It is now clear that the government is likely to reject the Goode Committee's approach to calculating minimum solvency in favour of a watered down version developed by the actuarial profession.

The case for compromise rests on the difficulties that could be faced by companies and funds that are obliged to establish a new base level of funding under the legislation that will follow Goode's recommendations. In present UK law, there are no solvency requirements; the assets and liabilities of most earnings related pension schemes are valued on an ongoing basis. This requires assumptions to be made about future benefits and about the current value of future income streams. In effect the actuaries ignore stock market values and take a longer term view. This has permitted the average fund to invest up to 80 per cent in equities, despite a presumed higher risk relative to the government's gilt-edged stock. Higher returns have thus been earned than on portfolios more heavily biased towards gilts.

If, on the other hand, a fund is valued on the assumption that it is to be wound up immediately - the so-called discontinuance basis

there is no escape from applying stock market values in working out whether the scheme can meet past service liabilities. These are valued on the basis of calculating what it would cost to buy a deferred annuity from an insurance company.

Until recently a valuation on an ongoing basis would usually produce a bigger surplus than on a discontinuance basis. But benefit improvements have eroded the margin. Meantime the gap between the returns expected on an equity portfolio compared with the gilt returns which dictate insurers' annuity rates has widened. So many schemes that are well funded on an ongoing basis may be underfunded on the discontinuance basis.

The actuaries' proposed compromise involves valuing liabilities on a mixture of the two bases. Equity-type returns will be assumed in valuing the rights of younger members of a pension fund, while a shift will be made to a gilt-based valuation for older members and current pensioners. But this could lead to members receiving less than the accrued benefits promised to them on winding up. This is better than no solvency standard. But it looks a less than satisfactory outcome.

Yet, as in the discussion over the ownership of pension fund surpluses, the bargaining chips are all in the hands of the employers. If the minimum solvency standard looks onerous, they will abandon defined benefit schemes and opt for defined contributions.

That implies greater uncertainty about the value of pension benefits. And since funds would be obliged to adopt lower risk investment strategies, investment returns would be less in the aggregate. But there would be no contribution holidays and far more transparency. As always in pensions, it boils down to a search for the least bad alternative.

Ukraine votes

"Ukraine has not yet died," is the apt title of the Ukrainian national anthem. As Ukrainian voters prepare for parliamentary elections on Sunday, their nation's existence is as imperilled as ever. The elections give Ukrainians a chance, perhaps the last, to set their political house in order.

Optimists dream that Sunday's elections could oust Kiev's ex-communist leadership and bring in a new guard better equipped to introduce market reforms. The new people who might be able to lead Ukraine to the market at last could be businessmen and factory directors from Russian-orientated eastern Ukraine, or they might be reformist nationalist politicians from the western and central regions of the country.

Unfortunately, these dreams are likely to remain just that. Since reform candidates have been unable to form a single bloc, the reform vote is likely to split, giving an even greater danger is that the Sunday elections will further confuse Ukraine's already muddled political scene.

On average, eight candidates are running in each constituency, while Ukrainian law requires 50 per cent voter turnout to elect a member of parliament. An extreme possibility is that these stringent requirements will make it impossible for voters to elect a

viable parliament. Mr Kravchuk has hinted that he would then introduce direct presidential rule, a dream for him, but a nightmare for Ukrainians who live with the hyperinflation he has created. More likely, the elections will produce an amorphous new parliament, although many constituencies will first require run-off elections between the two leading candidates. The legislature might be more paralysed than its predecessor, which at least has a working national-communist majority.

In any case, the new legislature will face the same political obstacle to radical reform as the present one. Politicians fear that such reforms would initially cause the worst pain in the Russianised Donbass region. Thus the right economic medicine would endanger Ukraine's fragile statehood.

All of this is bad news for the west, which is coming to view Ukraine as a bulwark against Moscow's expansionism, particularly now that Russia is taking a harder line toward the "near abroad". Ukraine needs political and economic support if Russia is to be discouraged from provoking a potentially devastating conflict with its important neighbour. Unfortunately, the Ukrainian government is unable to use economic help constructively. Worse, the elections are unlikely to change this unhappy situation.

Euro-fraud

To the untutored eye, the effort to combat fraud against the European Union budget can seem an elaborate and unproductive ritual. Every year, the EU Court of Auditors chronicles waste and error in the spending of official funds and urges the European Commission to sharpen its controls. Every year, the Commission promises to crack down and recoup missing money. Meanwhile, large-scale abuse of the budget - especially of farm subsidies - continues unabated.

This view may be a caricature, but it is sufficiently well established in the minds of European citizens to have become a blot on the EU's credibility. As pressure on the budget grows and the dismantling of borders within the Union provides increased opportunities for fraud, the problem can only intensify. More clearly needs to be done to tighten monitoring of the effectiveness with which taxpayers' money is spent.

Fortunately, there are signs that the Commission and at least some member states are showing greater attentiveness to the issue. This week, Mr Peter Schmidhuber, EU budget commissioner, unveiled plans to step up the fight against fraud, with additional Commission staff devoted to the task, improved procedures for co-operation with national judicial and police authorities, and more

extensive sanctions against wrongdoers. Separately, the British government will today put forward its own ideas, including a proposal that fraud against the EU budget be made a criminal offence across the Union, as is fraud against national budgets.

These are steps in the right direction, but they do not demonstrate that the Union is treating the issue with quite the seriousness it deserves. It is far from sure that the Council of Ministers will unanimously back the British initiative. Nor can member governments be counted on to give the Commission the assistance it needs, especially when it comes to extending scrutiny from the agricultural budget to structural funds, often - perhaps unfairly - criticised for fostering corruption in the Union's poorer regions.

Moreover, the suspicion persists that the Commission is running behind the issue rather than giving a lead. This week it has come in for withering criticism from the EU auditors for restricting their inquiries and behaving as if particular problems were isolated "accidents". It should be clear by now that various EU programmes offer opportunities for systematic fraud. The Commission can set an example in combating it by showing more systematic transparency to those with the job of monitoring its activities.

The saga of the Gioia Tauro steelworks in southern Italy is a sorry tale about broken promises, ill-conceived ideas, wasted money and cynical politicians.

It epitomises the failure of state-sponsored development to bridge the divide between a rich, industrialised north and central Italy and the world that exists south of Rome.

Gioia Tauro is also a timely reminder, as Italy goes to the polls on Sunday, that the political and economic problems of the south are likely to become more complex after the elections. Here the old political order has not been swept away, unemployment is three times greater than in the north and large areas are in the grip of organised crime - not least at Gioia Tauro, where the Calabrian mafia, the 'ndrangheta, moved in on the back of public works contracts for a steel complex.

Twenty-five years ago Gioia Tauro was the most fertile coastal plain in the region, rich with citrus and graced by ancient olive trees. Against technical advice it was selected over 11 other potential sites as the location for Italy's fifth integrated steel works.

Gioia Tauro lacked a port, good roads, easy access to raw materials, had no tradition of industry and was in a zone with a high risk of earthquakes. These drawbacks were, however, outweighed by the needs of the ruling Christian Democrat and Socialist party bosses. The steel project was presented as the key to industrialising Calabria, the most backward southern region.

The steelworks was never built. The 1973 oil shock cut world demand for steel and the project became redundant. But it was only aborted after the infrastructure had been laid. The plant was conceived on the grandest scale imaginable to inflate the contracting business. The centrepiece was the largest artificial port in the Mediterranean with skin of wharves.

The port is still unused 15 years after completion. With luck it might become a container terminal. Elsewhere on the site, flyovers vanish into weeds.

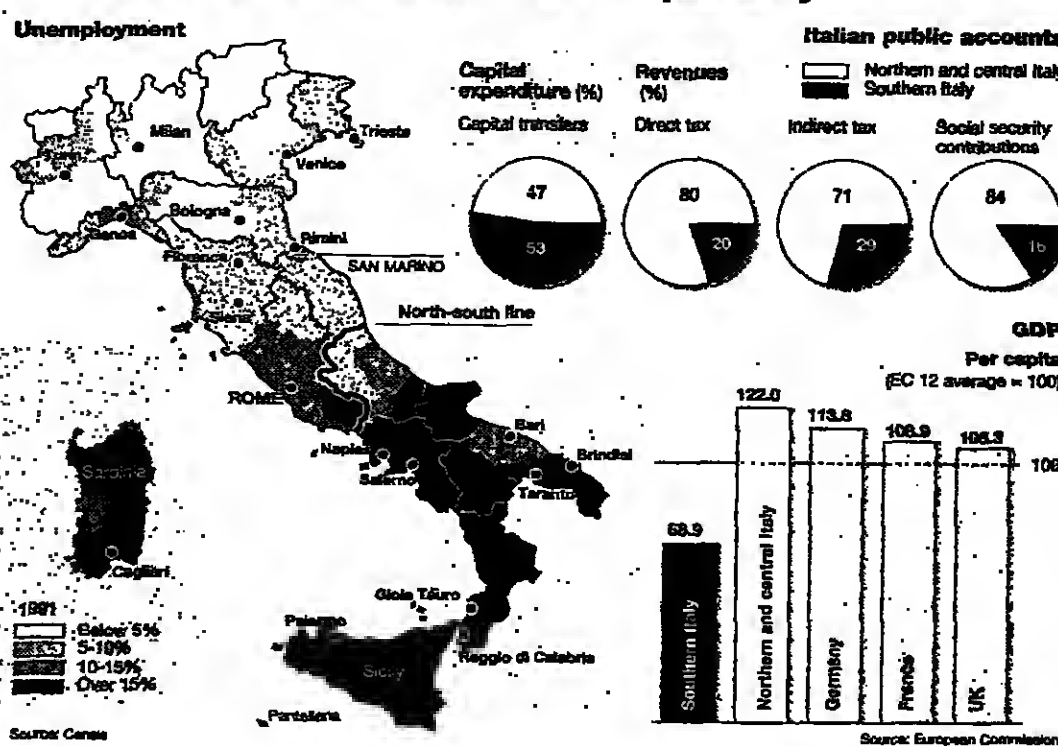
The nearby industrial zone is vacant save for one state-owned factory. Three hundred jobs were promised in a venture by the arms manufacturer, Oto-Breda, to produce a new Nato missile. By the time the plant was finished in the early 1980s, the missile had been superseded. Oto-Breda's owner, the state industrial holding, Efim, was placed in liquidation in 1992 and the plant is up for sale.

For the past 12 years, successive governments have backed plans to make good some of this waste by allowing Enel, the state electricity authority, to build a power station.

Elections may not bridge that gap

Robert Graham examines the divide between Italy's industrialised north and a south dependent on state aid

North-south divide: the economics of dependency



This was blocked by environmental objections. When this hurdle was overcome, the state had to contend with the Calabrian mafia.

In 1990 magistrates froze all construction contracts on suspicion that the construction companies were 'ndrangheta fronts in an area where some 60 'ndrangheta families operate. The magistrates' investigations led in January to 39 arrest warrants on corruption charges related to the contract, including the Enel chairman.

Violent protests, meanwhile, by the jobless in Gioia Tauro forced the Ciampi government last autumn to sanction a new start on the power station. This was seen locally as a move to buy stability in the run-up to the elections. Today, few believe the project will be completed because of environmental protests, plans for Enel's privatisation, and the difficulty of ensuring against mafia involvement.

What has happened at Gioia Tauro is a microcosm of what has been repeated in different degrees across the south. With a third of Italy's population, it was treated as a vital reservoir of votes by the Christian Democrats during the postwar era to hold the Communist party at bay. It suited politicians to create a culture of dependence - or *assistenzialismo*.

Transfers to the south from the central government have on average accounted for about 60 per cent of gross domestic product since the 1950s. Income support, direct and indirect from the state, makes up 49 per cent of the south's GDP. According to Bank of Italy data, four-fifths of Italy's total public deficit is attributable to the south - the centre and north shows a surplus. The south absorbs 53 per cent of all public spending.

Initially, the south accepted this as needed assistance, but it became

an institutional habit of dependence. If the state (controlled by the local political parties) did not provide jobs in the south, then it offered unemployment subsidies or fake disability pensions or early retirement deals. The state also agreed with the unions to maintain a national minimum wage, even though productivity was often 30 per cent lower in the south. Where this safety net failed, the illicit economy controlled by organised crime helped out with income from contraband cigarettes, drugs, extortion, racketeering, usury. Until Rome politics was shaken two years ago by corruption scandals it suited the ruling parties to be tolerant of organised crime: in Sicily, Calabria and the Naples area the mafia delivered votes.

The business success stories in southern Italy have been in areas close to Rome or where the grip of organised crime is slight, as in Fug-

lia. It is no accident that Fiat opted to site its flagship car plant near rural Melfi in Basilicata, central southern Italy: the area is free of mafia links. Fiat has also been able to break away from the traditional labour market rigidities and introduce new working practices. No state industry would dare contemplate this, and smaller private investors lack the muscle to force such deals through.

But the Melfi project, producing the Punto model launched last year, would also have been impossible without the commitment of Li.400m in state aid. This is probably the last such act of state generosity to a private group. Not only is Brussels on the war-path against subsidies, unions in the north do not see why new jobs should be funded in the south when they need to protect existing ones in Turin.

The more general debate on bankrolling the south has become central to the political platform of the populist Northern League. The league's appeal has evolved in good measure from the way its leader, Mr Umberto Bossi, has articulated the frustrations of hard-working northerners, who pay taxes to a government in Rome that squanders the money on ill-monitored transfers to the south.

Despite these genuine objections, it is hard to see agreement on introducing a fresh approach to the problem of the south. The league wants to cut *assistenzialismo* but has no base in the south. Its allies in this election campaign are media magnate Silvio Berlusconi's Forza Italia movement and the neo-fascist MSI; and Mr Berlusconi is relying on the MSI structure to deliver the votes. Both are promising more jobs and more public works projects in the south.

The left's Progressive Alliance is also committed to the principle of national solidarity, with the better-off regions helping the poorer, and would not stop the flow of money to the south. As for the discredited ruling parties in the centre, which have either recycled their candidates or picked from similar figures whose careers have been based on patronage, they have no interest in turning off the tap.

None of the parties looks as if it has the will and ability to combine spending cuts with creating the conditions necessary to introduce the market economy that operates in the rest of Italy. Budget constraints will play a considerable part in weaning the south off state hand-outs. But this will merely increase the income gap between the north and the south and push the 'Mezzogiorno' back to the peripheral role it played when the first republic began after the war.

Rail privatisation's difficult journey



PERSONAL VIEW

On April 1, British Rail is to be split asunder. A radical restructuring of passenger and freight services, track and rolling stock provision and infrastructure, will form the prelude to the government's ultimate goal of privatisation. Will it work, or will it turn out to be an April Fool?

At first sight the changes next month are a cleverly contrived continuation of the fundamental organisational changes introduced in April 1982 and April 1992. The 27 profit centres set up two years ago will become the basis of 30 passenger train operating units and five freight separate businesses for franchising. There will be more private sector involvement in management and private risk capital will be introduced. Additionally, the 'internal market', whereby the profit centres sell services to each other, will be extended.

The 1992 changes gave the managing director of each passenger rail-

way business - InterCity, Network SouthEast and Regional Railways - direct control of their own infrastructure and supply of train services. A separate Central Services organisation was also established, selling services to the individual railway businesses in an internal market. Benefits have begun to show; for example, staff numbers on the Gatwick Express have fallen by 25 per cent since April 1992, assets are being used more intensively and marketing initiatives introduced.

But there are problems with the new proposals. The first is psychological. The business managing directors, before they took direct control in 1992, could not influence the production of railway services sufficiently to achieve what their marketing studies showed passengers wanted. The present changes are being imposed against strong opposition from experienced railway managers. Moreover, the reorganisation is too soon after that of April 1992, which involved a huge effort.

Another problem is operational. Great concern has been expressed about the split in ownership and

control between Railtrack (which assumes responsibility for stations, track, signalling, timetabling, operating control and safety) as an intermediate supplier and the train operating units as train service producers. A railway above all a systems business, in which all the principal activities are interlocked. Moreover, passengers are part of the production process. Unlike

The greatest problem is economic... the InterCity profit will be turned into a loss

Marks and Spencer, or even a 'just in time' supply of components for manufacture, any accident, mismatch or misunderstanding between the suppliers and producers will immediately affect them.

The greatest problem is economic. The £100m or so InterCity annual profit will be turned into a loss because of infrastructure and rolling stock leasing charges, and

subsidy will be required. Even the £10m profit for the coveted Gatwick Express will be extinguished.

These seemingly high costs arise because the infrastructure capital value was put at £5.5bn and the Treasury imposed a 5.5 per cent required rate of return, increasing to 8 per cent. Additionally, bureaucracy and transaction costs of the new system will be high, and safety controls will be more expensive and complex than the present 'safety validation' procedures.

Moreover, railway revenues tend to track fluctuations in gross domestic product. In a downturn, unless train services can be cut (and remember Railtrack decides the timetable) and rolling stock handed back, franchise profits will disappear. Private sector franchisees will only be interested if they can see where the profits will come from. Costs in the train operating units are already being cut. More cost savings and revenue improvements are in the pipeline. So what leverage will be left for the private sector with franchisees controlling only some 20 to 25 per cent of total

cost due to infrastructure and leasing charges? Subsidies may be granted, but they are politically vulnerable (and the government's contribution is planned to be cut by two-thirds by 1996-97 anyway).

The benefits are that the train operating units will be much smaller businesses than the present ones, with greater freedom for innovation. Staff can be more closely involved and costs will be more exposed. Even so, the scope for substantial profit improvement by private franchisees is narrowing.

Perhaps the most likely outcome is that BR will continue to be the predominant owners, with their staff as management franchisees at the heart of the railway system and the private sector round the periphery. In these circumstances the Railtrack monopoly will be forced to bow to their demands.

John Heath

The author was professor of economics, London Business School 1970-86 and a consultant to British Rail 1978-93.

Compounding the gloom

He couldn't even muster an *auf Wiedersehen*. Wolfgang Hilger, chair of the Hoechst chemicals group, yesterday growled his way through his last annual press conference in traditionally lugubrious style, only to break with custom at the close.

While retiring German bosses are supposed to lighten up, bury the hatchet with the hacks, and even crack the odd joke about having had tough but fair treatment, Hilger was not in the mood.

Since early last year, when his lofty, technocratic response to his company's plants' alarming tendency to leak, burn and even explode earned Hilger a roasting, the chemistry between him and the media has been severely awry. A formal farewell from the floor, typically offered up on these occasions by a venerable journalist whose career has run in - distant - parallel with the retiring boss, also failed to materialise.

If Hilger noticed that the pack restricted itself to a single question about yet another explosion, last Friday, which wrecked a refrigerant plant, and once again obliged the police to tear the streets warning local residents to close their windows and stay indoors, he did not show it.

Anyone interested could pick up a press release on the way out,

but otherwise he had nothing to add, he said.

Change first

Did NatWest know what it was letting itself in for when it decided to snap up New Jersey retail bank Citizens First? It's a pity nobody thought of asking Andy Nemes, in the UK clearer's international trade and banking services division, for a worm's eye view of the proposed acquisition.

When NatWest recalled Nemes to London after 2½ years in the US, his wife Janet closed her first NatWest account. Could she have the money in sterling, she inquired? Sure thing: she was promptly directed to the bullion counter.

Crying wolf

Consternation and concern in the department of transport when Bob Crier, Labour MP for Bradford south, called for a special debate in the Commons on Merwyth hill station.

Obsessed as they are with rail privatisation, the civil servants went into overdrive. The minister concerned, Roger Freeman, was asked by officials to clear his diary to ensure that he was free to answer the debate, due to be heard this coming Friday.

Whereupon it was discovered that the "station", near Harrogate,

OBSERVER



"I thought you were the one with consumer confidence"

is a security listening post operated by the ministry of defence, in co-operation with American spooks. Freeman has thanked Crier for providing him with an unscheduled day off.

Merry old soul

King Coal has been a long time dying; but now he really has passed away it seems. A provisional death certificate appears on Thursday, in the form of a book of photographs published by the Royal Commission on the Historical Monuments of England.

Coal's announcement in October 1992 that 31 of its remaining 60 active mines were to be closed, now just 17 remain. The Commission's photographers, backed by archaeologists and industrial surveyors, toured every English coalfield, recording all aspects of the industry.

Images of Industry: Coal, will be launched at the Yorkshire Mining Museum in Wakefield. "The complete set of images, backed by research notes, will become part of the National Monuments Record, where they can be consulted by the public." RIP.

Tiger's tail?

Has the City, in succumbing to the lure of Oriental expertise in the boardroom, been stealing a march on British industry? Or is it unduly beguiled by eastern promise?

London's oldest merchant bank, Barings, has been endeavouring to brush up its global street cred and, in addition to Crédit Lyonnais boss Jean Peyrelevalde, has now opened its hallowed portals to Yoshihiko Miyachi, president of Japan's largest leasing company Orix, in a non-executive capacity. Last year Foreign & Colonial put a former ambassador to Britain on the board of one of its Pacific trusts and Barclays has a Japanese banker. Outside the Square Mile there has been little such activity. Deputy chairman Andrew Tuckey

says he ran into Miyachi on his first visit to Japan 25 years ago when he was personal assistant to the chairman of what was then Orient Leasing. As part of the Sanwa Bank group, with which Barings set up a joint venture, the company was a natural port of call for the Brits.

Tuckey, who describes a visit to the Orix Blue Wave baseball team as "a pleasure probably still to come", sees in Miyachi a man with "long exposure to western business".

There is no telling yet whether these sorts of relationship can really be put to work. As well as being impressed by his connections in Tokyo, Barings, with its emerging markets ambitions, thinks the new addition can provide "the Oriental perspective on China and throughout south-east Asia", as Tuckey phrases it. Big area, tall order.

Abracadabra

Hurry along now please with your submissions, to the UK's department of social security, to tender for providing "market research services using mystery techniques to measure levels of customer service". Bidders must supply details of "technical, professional or trade bodies" to which they belong, the Supplement to the EU's Official Journal specifies. Magic Circle members preferred?

Seoul forces on alert for attack from north

John Burton in Seoul and George Graham in Washington

South Korean president Kim Young-sam yesterday ordered the country's military forces to increase their readiness for a possible attack by North Korea as international pressure intensified on Pyongyang to allow nuclear inspections.

Mr Warren Christopher, the US secretary of state, said diplomacy had "reached a critical point", but Chinese officials warned that sanctions or other moves against North Korea would only serve to increase tension on the Korean peninsula.

The South Korean armed forces were put on alert as Mr Kim was preparing to leave tomorrow for Japan and China, where he will ask Beijing to persuade Pyongyang to accept unhampered inspections by the International Atomic Energy Agency.

South Korean forces are generally on alert when the president leaves the country, but Seoul has

been particularly tense since North Korean officials declared that the South Korean capital could become a "sea of fire".

Meanwhile, a North Korean radio broadcast accused the US of making a "grave threat" by agreeing to deploy Patriot missiles in South Korea. The US says the deployment, agreed this week, is "purely defensive".

Mr Han Sung-joo, the South Korean foreign minister, said the "door is still open" to direct negotiations with North Korea, and he added that if the United Nations Security Council decides to impose economic sanctions, they will be introduced gradually to give Pyongyang time to reverse its decision.

Mr Christopher said that he expected the UN Security Council to consider a resolution calling on North Korea to allow the completion of inspections.

"Our diplomacy has now reached a critical point. We've made it clear to North Korea that it must become a responsible

member of the international community or that community will have no option but to pursue other options," Mr Christopher said.

The first UN resolution, however, is likely to contain only an indirect threat of sanctions, as it is unlikely that China would approve sanctions against its ally, Mr Li Peng, the Chinese premier, warned in Beijing yesterday that North Korea should not be put under extreme pressure.

Differences in South Korea's tougher approach to North Korea emerged as the opposition Democratic party cautioned against the military measures and urged the government to seek continued dialogue with Pyongyang.

Mr James Woolsey, director of the Central Intelligence Agency, repeated his agency's estimate that North Korea had diverted at least enough nuclear material to make one bomb.

N. Korea miscalculates, Page 6

Italian spending overshoots target

By Robert Graham in Rome

The Italian government yesterday revealed that spending in 1994 was liable to overshoot the budget target by L14,800bn (\$3.8bn).

The estimate is based on first quarter treasury receipts which were lower than expected as a result of the recession hitting deeper. At the same time social security spending has grown faster and the savings envisaged in the reform of the civil service have been slow to materialise.

The budget shortfall comes during the closing stages of the election campaign and underlines the limited options open to the next government. It would make it extremely difficult for media magnate Silvio Berlusconi to carry out his promise to relaunch the economy, reduce taxes and provide more jobs.

Instead the next government will probably be forced to introduce a corrective budget shortly after it takes office.

The 1994 budget envisages holding the budget deficit at L151,000bn, equivalent to 3.7 per cent of GDP. On yesterday's projections the deficit would expand to almost L160,000bn.

One area where spending has grown rapidly is pensions, and officials have warned this week that Italy will have to accelerate its plans to raise the pension age to 65 years. If tough measures are not taken on pension and health spending, the total social security budget may exceed 14 per cent of GDP.

Italy's state-dominated pension system is among the most generous in the EC and reforms introduced last year envisage only a gradual tightening of benefits and an extremely slow move from the current retirement ages. At present women retire at 55 and men at 60.

The pensions budget has been complicated by the recession with large-scale resort to early retirement agreements in order to facilitate industrial restructuring. This year the government approved a deal covering some 6,000 employees at Fiat and earlier this month agreed to fund an early retirement deal for the bulk of 12,000 redundant workers in Ilva, the state-controlled steel group.

The political parties in the election campaign have all emphasised the need to encourage private pension funds and to reduce the burden on the state.

Tough life at the top

If a life insurance company should be judged by its ability to sell life insurance, Prudential still has something to prove. Yesterday's 45 per cent rise in full-year profits owed more to recovery in general reinsurance - which the Pru admits is peripheral to its ambitions - than underlying momentum in long-term savings. Life insurance profits rose by 10 per cent. But that includes taking 250m of US investment gains into profits rather than diverting such windfalls into reserves, as was the case last year. On the accruals accounting method favoured by the Pru, the profit contribution from new life insurance business actually fell.

Prudential might reasonably plead special circumstances. Restructuring its direct sales force in the UK has yielded annual cost savings of more than £100m, but with inevitable disruption. As reorganisation comes to an end, the sales force must start to perform. More worryingly, Jackson National proved extremely vulnerable to low US interest rates, which made its annuities less attractive than equity-based savings products. Perhaps an infusion of new management and revamped product range will be enough to reverse last year's 33 per cent drop in sales.

It is certainly too early to pass judgment on either count in theory, Prudential should be well placed to deal with tougher regulation at home. By deciding not to provide against mis-selling of personal pensions, it has shown touching faith in its record of compliance to date. While a yield 30 per cent higher than the market average might look generous in the light of yesterday's headline figures, the uncertainties demand no less.

Bowater

Bowater's premium rating, which has been carefully cultivated over the years, was blown away in one puff yesterday as its shares fell 8 per cent. That may partly reflect a cyclical reversal of fortune with Bowater's previous virtues being transformed into present vices: defensiveness in recession now appears dullness in recovery. Good treasury management, which produced interest income despite year-end debt of £362m, now smacks more of financial alchemy. Bowater's penchant for buying exhausted leveraged buy-out companies once seemed a clever way of buying assets on the cheap. But the drawbacks are now becoming apparent, with Bowater hav-

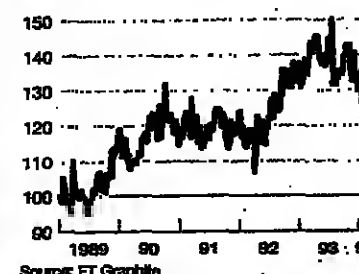
THE LEX COLUMN

Tough life at the top

FT-SE Index: 3201.3 (+3.5)

Prudential

Share price relative to the FT-SE All-Share Index



Source: FT Graphix

ing to spend much time and capital injecting vim and vigour.

The most serious worry, though, is what differential rates of inflation will do to margins. Bowater's suppliers - most conspicuously the pulp and paper manufacturers - are currently pushing through big price rises. But it may prove difficult for Bowater to pass the parcel on to its customers, producing a nasty margin squeeze. Besides, Bowater's customers are growing ever more demanding, specifying shorter runs and higher standards. That puts another pressure on margins, which will not quickly be reversed. With no currency gains likely this year, Bowater's attractions as a recovery stock have soured. But with volumes growing at a respectable 3 per cent, Bowater still retains its longer-term appeal. After a frantic spell of corporate activity, Bowater must now consolidate. The shares seem likely to do the same.

Crédit Lyonnais

The French government faces a delicate task in the rescue of Crédit Lyonnais. It must not alienate outside investors to the point where privatisation becomes impossible. Equally it must not show so much favouritism that it upsets the rest of the French banking community. So far few details have emerged, though it is clear that tomorrow's deal will involve the transfer of non-performing property loans to a shell company. Precedent suggests this is one way of limiting the immediate bad debt provision and therefore the capital injection from the government - but there is a cost in the form of future income forgone.

If it follows the established pattern, Crédit Lyonnais would lend the shell company enough to buy both the bad debt at its value after provisions and sufficient zero coupon bonds to finance eventual repayment of the borrowing. But Crédit Lyonnais would not receive interest on its loan to the shell company. Since debt transfers to the shell company could exceed 2 per cent of its loan book, that implies a drag on net interest income for years.

Crédit Lyonnais would thus find it harder in the recovery to reach the absolute levels of profitability established by other French banks. But its own recovery will be more pronounced simply because its provisions have been higher. And since the bank is trading at a 25 per cent discount to stated 1992 net assets, the market has priced in the risks.

GKN/Westland

Whatever the niceties about strategic vision and industrial logic, GKN's bid for Westland is settling down to an old-fashioned haggle over price. Unfortunately, from GKN's point of view, there may well be a gap between the price it is prepared to pay and the price which shareholders are prepared to accept. Sir David Lees, GKN's chairman, has said repeatedly that he will not "overpay" for Westland. That implies that any increase in the offer will be modest. There might conceivably be some flexing of terms over the Arab Organisation for Industrialisation settlement. GKN might, for example, keep all of any payment in return for a higher offer. But the total package seems unlikely to take the bid much over the current market price of 32p.

That may not be enough to dislodge Westland's heavily concentrated shareholders, particularly since one of the largest is M&G, which has a tradition of supporting existing management. In the absence of a substantially higher bid, institutions may also feel that they can play a waiting game. If the projected orders turn out to be pie, rather than helicopters, in the sky, they may think that they can sell to GKN later. Its 45 per cent holding suggests a continuing interest, and in any event, Westland's tax advantages do not become substantial until 1996. If the orders do materialise, however, Westland would be worth a good deal more than 32p. The unenviable problem facing Sir David is that if he refuses to overpay now, he may risk having to do so later.

Drugs groups cut spending on research and development

By Paul Abrahams in Tokyo

The growth of investment in research and development of pharmaceuticals by the world's top drugs groups decelerated steeply last year because of health care reforms and efforts to cut medicines spending.

The world's top 38 companies, which have reported their results, increased their R&D expenditure by only 9.6 per cent last year. That compares with industry growth rate during the 1980s of between 16 and 20 per cent.

The investment slowdown follows industry warnings that R&D spending was unsustainable because of government intervention to control drugs prices and consumption.

Pharmaceutical groups have been struggling with poor growth rates in the world's most important medicines markets. The increase in drug sales in the top seven European markets declined from 3 per cent in 1993 to only 1 per cent last year.

Most drugs groups have responded by cutting marketing and administrative overheads for the last two years. None had previously dared cut R&D, viewed as

the life-blood of the industry.

But last year, among the top 38 pharmaceutical groups, five companies (three in the US, one in Europe and one in Japan) were forced to reduce expenditure. They included Monsanto, Marion Merrell Dow and Parke Davis of the US, Ares Serrano of Switzerland, and Shionogi in Japan.

Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute, warned: "The heady days of R&D are over." Between 1981 and 1993, pharmaceutical R&D spending rose from \$5.4bn to \$26.5bn according to the UK-based Centre for Medicines Research.

"Although the immediate effects will be limited because of the time it takes to develop new medicines, in the longer term the flow of innovative medicines is being threatened," Mr Bryan Wright, representative in Japan of the US Pharmaceutical Manufacturers' Association, said.

European companies appear to have been less affected than their US counterparts. The top 10 European groups, which have so far reported figures, increased their R&D spending by an average of 15.4 per cent from \$6.09bn in 1993 to \$7.1bn last year. They

spent, on average, 16.9 per cent of sales on R&D. Those groups whose spending rose the most included Wellcome (30.6 per cent), Glaxo (24.2 per cent), and SmithKline Beecham (20.2 per cent).

The top 10 US groups increased their R&D spending 8.3 per cent from \$7.85bn last year to \$8.5bn. On average, they invested 11.2 per cent of their turnover in R&D. The top five Japanese companies raised their spending only 6.6 per cent from \$1.78bn to \$1.9bn, investing 11.4 per cent of their sales.

Those groups spending least have been most hit by the reforms. Among the lower-level spenders of the top 38 companies, R&D spending increased only 5.1 per cent.

The US figures follow a warning by the American Pharmaceutical Manufacturers' Association that its members expect to increase R&D spending only 9.4 per cent this year, the first single-digit increase since 1977.

That compares with average annual growth of 16 per cent between 1980 and 1992.

Pharmaceutical survey, separate section

Japan's economy stagnates

Continued from Page 1

1.1 per cent last year, or by 0.7 per cent between the third and fourth quarters, indicating that consumer spending has been relatively resilient in a weak labour market. Another positive sign was private housing investment, which grew by 7.7 per cent during the year, or 1.8 per cent in

the last quarter, helped by cheap government-backed mortgages.

Corporate investment fell by 8.4 per cent last year, of which 3.5 per cent was in the final quarter. The continued strength of the yen, which hit a high of nearly ¥100 against the US dollar in August, weakened exports which were down 2.3 per cent from the third to the fourth quarters.

Fed signals rate rise

Continued from Page 1

cent. The speed of tightening, however, is likely to depend on the rate of economic growth later this year and the extent of upward pressure on inflation.

After weeks of anticipation, bond traders appeared relieved that the long-awaited boost in the Fed Funds target rate had

finally taken place. The benchmark 30-year government bond, which is especially sensitive to inflationary expectations, showed the biggest gains, jumping about 1/4 of a point to 92 1/2 within minutes of the announcement.

Additional reporting by Tracy Corrigan, Connor Middleton and Philip Gawth in London

FT WEATHER GUIDE

Europe today

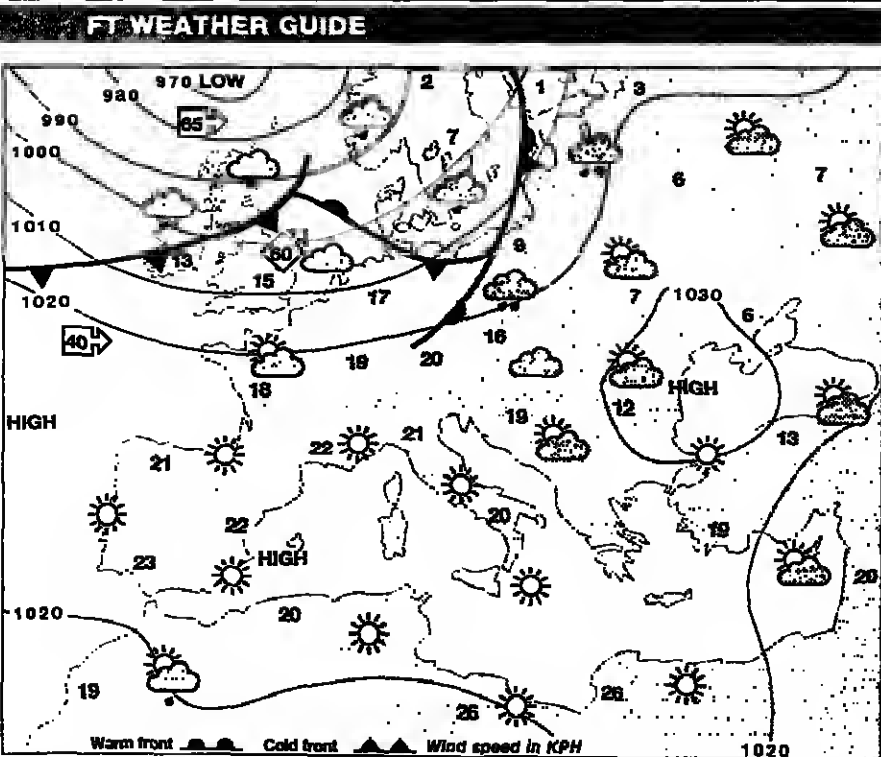
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Five-day forecast

Unsettled conditions will gradually spread into central and eastern Europe. Tomorrow, gale-force winds will buffet the coast of Denmark. It will be showery in Scotland and mainly dry in England, but England should experience rain on Friday. By the weekend, the UK will be unsettled and somewhat cooler. Scandinavia will experience wintry conditions with periods of snow and sleet or rain in the south. It will be sunny over much of southern Europe with afternoon readings ranging between 19C-27C.

TODAY'S TEMPERATURES

Moscow	rain	12	Cardiff	rain	14	Frankfurt	rain	19	Malta	sun	22	Rio	sun	26
Belast	rain	15	Chicago	cloudy	16	Glasgow	sun	16	Manchester	sun	22	Rome	sun	26
Belfast	rain	15	Cologne	sun	18	Hamburg	sun	18	Madrid	sun	25	S. Francisco	showers	17
Abu Dhabi	sun	30	Dallas	sun	26	Helsinki	sun	12	Melbourne	sun	25	Seoul	showers	7
Algiers	cloudy	18	Dubai	sun	29	Hong Kong	cloudy	26	Moscow	cloudy	7	Singapore	showers	30
Amsterdam	cloudy	15	Hong Kong	cloudy	26	London	sun	17	Montreal	cloudy	7	Stockholm	cloudy	8
Athens	sun	17	London	sun	17	Nairobi	sun	24	Munich	sun	18	Strasbourg	sun	22
B. Aires	sun	24	Madrid	sun	24	Oslo	sun	17	Norway	sun	18	Sydney	sun	21
B.ham	sun	14	Oslo	sun	17	Paris	sun	17	Perth	sun	18	Toronto	cloudy	9
Bangkok	thund	32	Perth	sun	18	Prague	sun	17	Porto	sun	18	Turkey	sun	21
Barcelona	sun	19	Prague	sun	17	Rangoon	sun	15	Warsaw	sun	18	Ulaanbaatar	sun	10
Beijing	sun	9	Rangoon	sun	15	Reykjavik	sun	4	Winnipeg	cloudy	-2	Zurich	sun	20



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Lima	sun	22	Nice	sun	17	Verona	sun	18
Lisbon	sun	22	Nicosia	showers	17	Vladivostok	sun	17
London	cloudy	17	Oslo	sun	17	Warsaw	sun	18
Luxembourg	sun	17	Paris	sun	17	Washington	sun	22
Lyons	sun	21	Perth	sun	18	Wellington	sun	18
Madrid	sun	24	Prague	sun	17	Winnipeg	cloudy	-2
Majorca	sun	20	Reykjavik	sun	4	Zurich	sun	20

ANZ

This announcement appears as a matter of record only

CAM - SOCIEDADE DO AEROPORTO INTERNACIONAL DE MACAU S.A.R.L.

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US Dollar 102.5m Credit Facilities

Guaranteed by the Territory of Macau

to finance the offshore costs of a contract awarded to the Consortium Soares da Costa/Siemens in connection with the Macau International Airport Project

Structured and Arranged by ANZ International Merchant Banking

US Dollar 15.4m Commercial Loan

Provided by:

Banco Comercial Português S.A.
Bayerische Landesbank Girozentrale
Banco Comercial de Macau S.A.
Banco de Fomento e Exterior SA
Australia and New Zealand Banking Group Limited

Agent Bank:
Australia and New Zealand Banking Group Limited

US Dollar 41.3m Buyer Credit Loan

Guaranteed by the Export Credits Guarantee Department of the United Kingdom

Joint Lead Managers:
Australia and New Zealand Banking Group Limited
Bayerische Landesbank Girozentrale, London Branch
Standard Chartered Bank

Managers:
Bank Austria AG
Banque Paribas
Union Bank of Switzerland
Bank of America NT & SA
ABN AMRO Bank N.V.
GiroCredit Bank, London Branch

Agent Bank:
Australia and New Zealand Banking Group Limited

US Dollar 6.8m Buyer Credit Loan

Guaranteed by the Export-Import Bank of the United States

Provided by:
Australia and New Zealand Banking Group Limited, New York Branch

Legal Advisers to the Arrangers:
Norton Rose

Financial Advisers to the Borrower:
EFISA - Engenharia Financeira S.A.

SOARES DA COSTA

February 1994

US Dollar 27.5m Buyer Credit Loan

Guaranteed by Hermes Kreditversicherungs A.G. of the Federal Republic of Germany

Arranged by Bayerische Landesbank Girozentrale

Provided by:
Australia and New Zealand Banking Group Limited, Frankfurt Branch
Bayerische Landesbank Girozentrale

Agent Bank:
Bayerische Landesbank Girozentrale

US Dollar 11.5m Buyer Credit Loan

Guaranteed by COSEC - Companhia de Seguro de Créditos S.A. of the Republic of Portugal

Arranged by Banco Comercial de Macau S.A.

Provided by:
Banco Comercial de Macau S.A.
Banco de Fomento e Exterior SA

Agent Bank:
Banco Comercial de Macau S.A.

Legal Advisers to the Borrowers:
Linklaters & Paines, Hong Kong

SIEMENS

Seoul forces on alert for attack from north

John Burton in Seoul and George Graham in Washington

South Korean president Kim Young-sam yesterday ordered the country's military forces to increase their readiness for a possible attack by North Korea as international pressure intensified on Pyongyang to allow nuclear inspections.

Mr Warren Christopher, the US secretary of state, said diplomacy had "reached a critical point", but Chinese officials warned that sanctions or other moves against North Korea would only serve to increase tensions on the Korean peninsula.

The South Korean armed forces were put on alert as Mr Kim was preparing to leave tomorrow for Japan and China, where he will ask Beijing to persuade Pyongyang to accept unhindered inspections by the International Atomic Energy Agency.

South Korean forces are generally on alert when the president leaves the country, but Seoul has

been particularly tense since North Korean officials declared that the South Korean capital could become a "sea of fire".

Meanwhile, a North Korean radio broadcast accused the US of making a "grave threat" by agreeing to deploy Patriot missiles in South Korea. The US says the deployment, agreed this week, is "purely defensive".

Mr Han Sung-joo, the South Korean foreign minister, said the "door is still open" to direct negotiations with North Korea, but he added that if the United Nations Security Council decides to impose economic sanctions, they will be introduced gradually to give Pyongyang time to reverse its decision.

Mr Christopher said that he expected the UN Security Council to consider a resolution calling on North Korea to allow the completion of inspections.

"Our diplomacy has now reached a critical point. We have made it clear to North Korea that it must become a responsible

member of the international community or that community will have no option but to pursue other options," Mr Christopher said.

The first UN resolution, however, is likely to contain only an indirect threat of sanctions, as it is unlikely that China would approve sanctions against its ally, Mr Li Peng, the Chinese premier, warned in Beijing yesterday that North Korea should not be put under extreme pressure.

Differences in South Korea's tougher approach to North Korea emerged as the opposition Democratic party cautioned against the government to seek continued dialogue with Pyongyang.

Mr James Woolsey, director of the Central Intelligence Agency, repeated his agency's estimate that North Korea had diverted at least enough nuclear material to make one bomb.

N. Korea miscalculates, Page 6

Italian spending overshoots target

By Robert Graham in Rome

The Italian government yesterday revealed that spending in 1994 was liable to overshoot the budget target by L14,800bn (\$8.8bn).

The estimate is based on first quarter treasury receipts which were lower than expected as a result of the recession biting deeper. At the same time social security spending has grown faster and the savings envisaged in the reform of the civil service have been slow to materialise.

The budget shortfall comes during the closing stages of the election campaign and underlines the limited options open to the next government. It would make it extremely difficult for media magnate Silvio Berlusconi to carry out his promise to relaunch the economy, reduce taxes and provide more jobs.

Instead the next government will probably be forced to introduce a corrective budget shortly after it takes office.

The 1994 budget envisages holding the budget deficit at L151,000bn, equivalent to 3.7 per cent of GDP. On yesterday's projections the deficit would expand to almost L160,000bn.

One area where spending has grown rapidly is pensions, and officials have warned this week that Italy will have to accelerate its plans to raise the pension age to 65 years. If tough measures are not taken on pension and health spending, the total social security budget may exceed 14 per cent of GDP.

Italy's state-dominated pension system is among the most generous in the EC and reforms introduced last year envisage only a gradual tightening of benefits and an extremely slow move from the current retirement ages. At present women retire at 55 and men at 60.

The pension budget has been complicated by the recession with large-scale resort to early retirement agreements in order to facilitate industrial restructuring. This year the government approved a deal covering some 6,000 employees at Fiat and earlier this month agreed to fund an early retirement deal for the bulk of 12,000 redundant workers in Ilva, the state-controlled steel group.

The political parties in the election campaign have all emphasised the need to encourage private pension funds and to reduce the burden on the state.

Tough life at the top

THE LEX COLUMN

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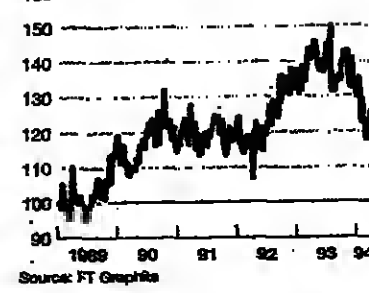
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Source: FT Computations

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GKN/Westland

Whatever the niceties about strategic vision and industrial logic, GKN's bid for Westland is settling down to an old-fashioned haggle over price. Unfortunately, from GKN's point of view, there may well be a gap between the price it is prepared to pay and the price which shareholders are prepared to accept. Sir David Lees, GKN's chairman, has said repeatedly that he will not "overpay" for Westland. That implies that any increase in the offer will be modest. There might conceivably be some flexing of terms over the Arab Organisation for Industrialisation settlement. GKN might, for example, keep all of any payment in return for a higher offer. But the total package seems unlikely to take the bid much over the current market price of 326p.

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But last year, among the top 38 pharmaceutical groups, five companies (three in the US, one in Europe and one in Japan) were forced to reduce expenditure. They included Monsanto, Marion Merrell Dow and Parke Davis of the US, Ares Serrono of Switzerland, and Shionogi in Japan.

Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute, warned: "The heady days of R&D are over." Between 1981 and 1993, pharmaceuticals R&D spending rose from \$3.4bn to \$26.5bn according to the UK-based Centre for Medicines Research.

"Although the immediate effects will be limited because of the time it takes to develop new medicines, in the longer term the flow of innovative medicines is being threatened," Mr Bryan Wright, representative in Japan of the US Pharmaceutical Manufacturers' Association, said.

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Those groups spending least have been most hit by the reforms. Among the lower-level spenders of the top 38 companies, R&D spending increased only 5.1 per cent.

The US figures follow a warning by the American Pharmaceutical Manufacturers' Association that its members expect to increase R&D spending only 9.4 per cent this year, the first single-digit increase since 1977.

That compares with average annual growth of 16 per cent between 1980 and 1992.

Pharmaceutical survey, separate section

Japan's economy stagnates

Continued from Page 1

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Fed signals rate rise

Continued from Page 1

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FT WEATHER GUIDE

Europe today

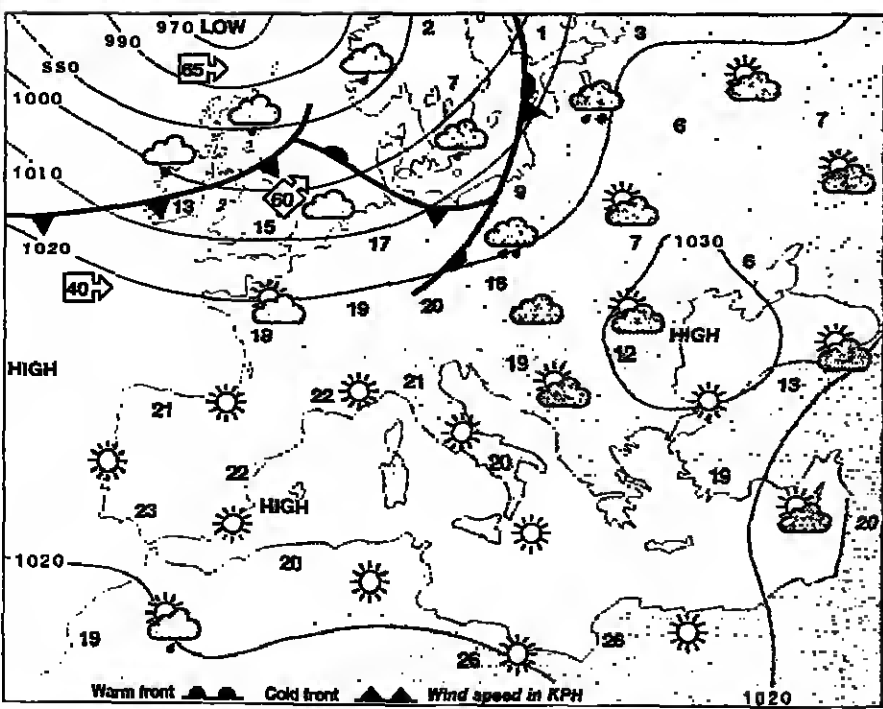
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TODAY'S TEMPERATURES

Maximum	Minimum	Weather	Time
Abu Dhabi	30	clear	12
Accra	30	showers	19
Algiers	30	cloudy	19
Amsterdam	15	cloudy	19
Athens	17	sun	17
B. Aires	24	sun	17
Bham	14	sun	17
Bangkok	32	thund	19
Barcelona	19	sun	24
Beijing	9	sun	26



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Metro Consult of the Netherlands

Maximum	Minimum	Weather	Time
Cardiff	12	windy	14
Frankfurt	19	sun	19
Geneva	15	sun	18
Gibraltar	20	sun	18
Glaxo	30	sun	11
Hamburg	14	rain	14
Helsinki	26	sun	4
Hong Kong	32	cloudy	17
Honolulu	29	sun	29
Istanbul	14	sun	17
Jakarta	32	sun	17
Karachi	34	sun	17
Kuala Lumpur	32	sun	17
Las Palmas	22	sun	22
Lima	27	sun	27
Lisbon	19	sun	19
London	17	cloudy	17
Luxembourg	17	sun	17
Lyon	21	sun	21
Madrid	19	sun	19
Madrid	21	sun	21
Majorca	20	sun	20
Moscow	12	sun	12
Munich	18	sun	18
Nairobi	34	sun	34
Naples	23	sun	23
Nassau	30	sun	30
New York	22	sun	22
Nice	27	sun	27
Nicosia	13	showers	13
Oslo	17	sun	17
Paris	17	sun	17
Perth	21	sun	21
Prague	15	sun	15
Rangoon	35	sun	35
Reykjavik	20	windy	20
Rio	22	sun	22
Riyadh	32	sun	32
Rome	26	sun	26
S. Francisco	14	showers	14
Seoul	28	sun	28
Singapore	30	sun	30
Stockholm	12	cloudy	12
Streetsburg	22	sun	22
Sydney	21	sun	21
Taipei	26	sun	26
Tel Aviv	20	sun	20
Tokyo	20	sun	20
Toronto	15	cloudy	15
Turkey	21	sun	21
Vancouver	19	showers	19
Verona	17	sun	17
Warsaw	18	sun	18
Washington	22	sun	22
Wellington	18	sun	18
Winnipeg	18	cloudy	18
Zurich	20	sun	20

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US Dollar 102.5m Credit Facilities

Guaranteed by the Territory of Macau

to finance the offshore costs of a contract awarded to the Consortium Soares da Costa/Siemens in connection with the Macau International Airport Project

Structured and Arranged by ANZ International Merchant Banking

US Dollar 154m Commercial Loan

Provided by:
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Bayerische Landesbank Girozentrale
Banco Comercial de Macau S.A.
Banco de Fomento e Exterior SA
Australia and New Zealand Banking Group Limited

Agent Bank:
Australia and New Zealand Banking Group Limited

US Dollar 41.3m Buyer Credit Loan

Guaranteed by the Export Credits Guarantee Department of the United Kingdom

Joint Lead Managers:
Australia and New Zealand Banking Group Limited
Bayerische Landesbank Girozentrale, London Branch
Standard Chartered Bank

Managers:
Bank Austria AG
Banque Paribas
Union Bank of Switzerland
Bank of America NT & SA
ABN AMRO Bank N.V.
GiroCredit Bank, London Branch

Agent Banks:
Australia and New Zealand Banking Group Limited

US Dollar 6.8m Buyer Credit Loan

Guaranteed by the Export-Import Bank of the United States

Provided by:
Australia and New Zealand Banking Group Limited, New York Branch

Legal Advisers to the Arranger:
Norton Rose

Financial Advisers to the Borrower:
EFISA - Engenharia Financeira S.A.

SOARES DA COSTA

February 1994

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Arranged by Bayerische Landesbank Girozentrale

Provided by:
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Bayerische Landesbank Girozentrale

Agent Banks:
Bayerische Landesbank Girozentrale

US Dollar 11.5m Buyer Credit Loan

Guaranteed by COSEC - Companhia de Seguro de Créditos S.A. of the Republic of Portugal

Arranged by Banco Comercial de Macau S.A.

Provided by:
Banco Comercial de Macau S.A.
Banco de Fomento e Exterior SA

Agent Bank:
Banco Comercial de Macau S.A.

Legal Advisers to the Borrowers:
Linklaters & Paines, Hong Kong

SIEMENS

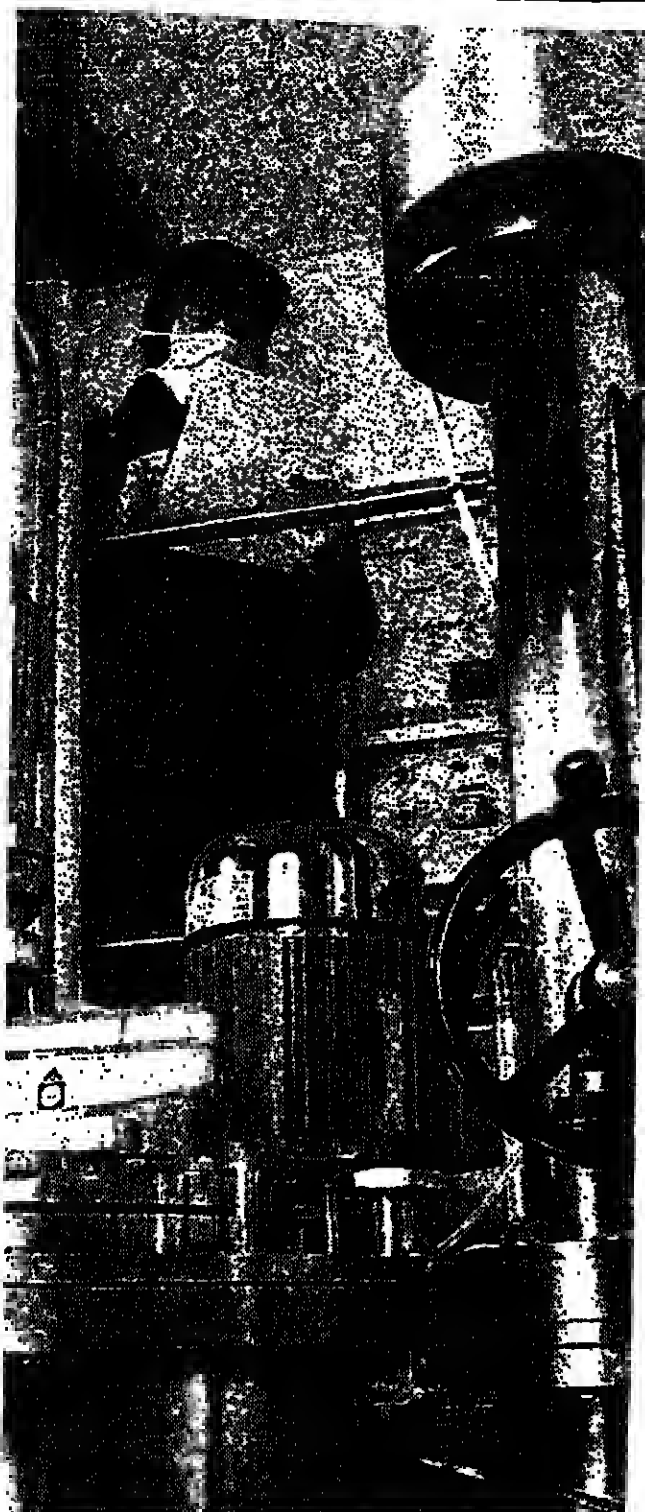
SENIOR FLEXONICS

top

FINANCIAL TIMES SURVEY

PHARMACEUTICALS: Research and Development

Wednesday March 23 1994



Stainless steel sterilisation vessels for drug research. The industry is finding itself in an increasingly difficult and pressured environment.

Research used to be an expense which was never questioned, but not any more. The high costs of developing new medicines, tighter regulatory demands – and pressures on national health budgets – mean that only those groups capable of bringing innovative preparations quickly to the market will survive. Paul Abrahams reports.

Survival of the fastest

The flow of funding for pharmaceuticals research and development – the lifeblood of the drugs industry – is under threat. Drugs companies' ability to raise R&D spending is being undermined by healthcare reforms introduced by cash-strapped governments around the globe. "I've never seen the like of last year before. It was grim. Nearly every country took one route or another to cut drugs expenditure," laments Mr René Delacq, president of Elf Sanofi, the French group. Last year prescription drugs sales in the top 10 markets grew only 4 per cent, according to IMS International, the market research group. The sector is unlikely to expand faster this year.

The mood of the industry, which has been used to growth of between 17 per cent and 20 per cent a year, has descended into deep depression. "The climate has changed dramatically from one of expansion to feelings of great introspection, examination and constraint," explains Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute. Admittedly, market growth had already been decelerating before last year but drugs companies had previously responded by cutting manufacturing, marketing and general administrative costs. R&D had remained inviolate.

Now, the precipitous rise in pharmaceuticals R&D – from \$5.4bn in 1981 to \$26.5bn last year according to the UK-based Centre for Medicines Research – appears to be ending. The top 10 R&D spenders last year increased their investment by only 11.4 per cent.

The deceleration in R&D growth may be inevitable, according to Prof Jürgen Drews, president of International R&D at Roche, the Swiss healthcare group. "The industry has clearly been over-spending. Global prescription sales would need to reach about \$280bn a year within 10 years to justify the present levels of investment. The chances of reaching that figure are more than low – they are non-existent," warns Prof Drews.

The 10 largest prescription drugs markets – representing more than 90 per cent of the world market – were worth \$14.9bn last year. Astra, and three British companies – Glaxo, Wellcome and SmithKline Beecham – increased their spending by more than 20 per cent last year. Most companies registered only single-digit R&D growth, and a few – for the first time in recent memory – actually cut R&D spending last year. Among the top 40-odd pharmaceuticals groups, five companies – three in the US, one in Europe and one in Japan – were forced to reduce expenditure in not only real, but also nominal, terms.

Mr Lodewijk de Vink, president and chief operating officer at Warner-Lambert, whose

Merck Research Laboratories, the US's biggest drugs group.

Mr Bill Steere, chairman and chief executive of Pfizer of the US and chairman of the US Pharmaceutical Manufacturers' Association, explains: "Those companies without anything in their pipeline and with slowing sales are going to find it increasingly difficult to justify funding R&D aggressively."

"They're going to get more and more frightened as their income recedes and that will set up some kind of synergistic death spiral as they cut R&D because their income is dropping. They'll be killing themselves."

The irony is that at the same time as R&D spending growth is decelerating, the scientific opportunities for creating innovative new medicines are expanding rapidly.

Biotechnology and a greater understanding of the life and death of the cell are opening up vast new scientific and medical horizons, according to Sir Richard Sykes, chief executive of Glaxo, Europe's largest drugs group.

"The basic biology of cellular mechanisms is becoming more and more understood. Drug design is becoming more of a science than an art," he says.

Dr William Scott, senior vice-president of exploratory drug discovery research at Bristol-Myers Squibb, explains: "The opportunities for making better drugs are greater than ever before. In a short period of time, most genes in the human body will be sequenced. Once we can identify the molecular basis of diseases, then we can begin to treat them."

What companies are spending on research and development – see table, page two.

New products: leading compounds now in development – see list, page four.

World drug purchases – see page four.

Dr Rosenberg concludes: "The worst case scenario would be that the pharmaceuticals industry as we know it disappears because companies no longer believe that there is a likelihood of generating a reasonable return on money put into research. The heady days of R&D are over."

The impact of healthcare reform and the consequent slowing of sales growth on R&D spending can be seen in the table (see page two), compiled by the Financial Times.

A few groups, mostly European companies with strong volume growth, have managed to avoid slowing their investment. For example, Sweden's

drugs subsidiary Parke Davis cut its budget, explains: "R&D used to be a cost-centre that was never questioned. But the days of macho spending are over. Current levels of spending are clearly unsustainable and there will be more companies out there cutting R&D. More is not necessarily better."

The dangers of cutting research and development are considerable, however. For some groups it could prove terminal.

"Once a company starts cutting R&D, then it's over. It's the lifeblood of a pharmaceutical company," warns Dr Edward Scolnick, president of



Among pharmaceutical companies, only those capable of discovering and developing innovative drugs on a global basis will survive.

Continued on next page

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How do we adapt to the switch of prescription products to OTC classification?

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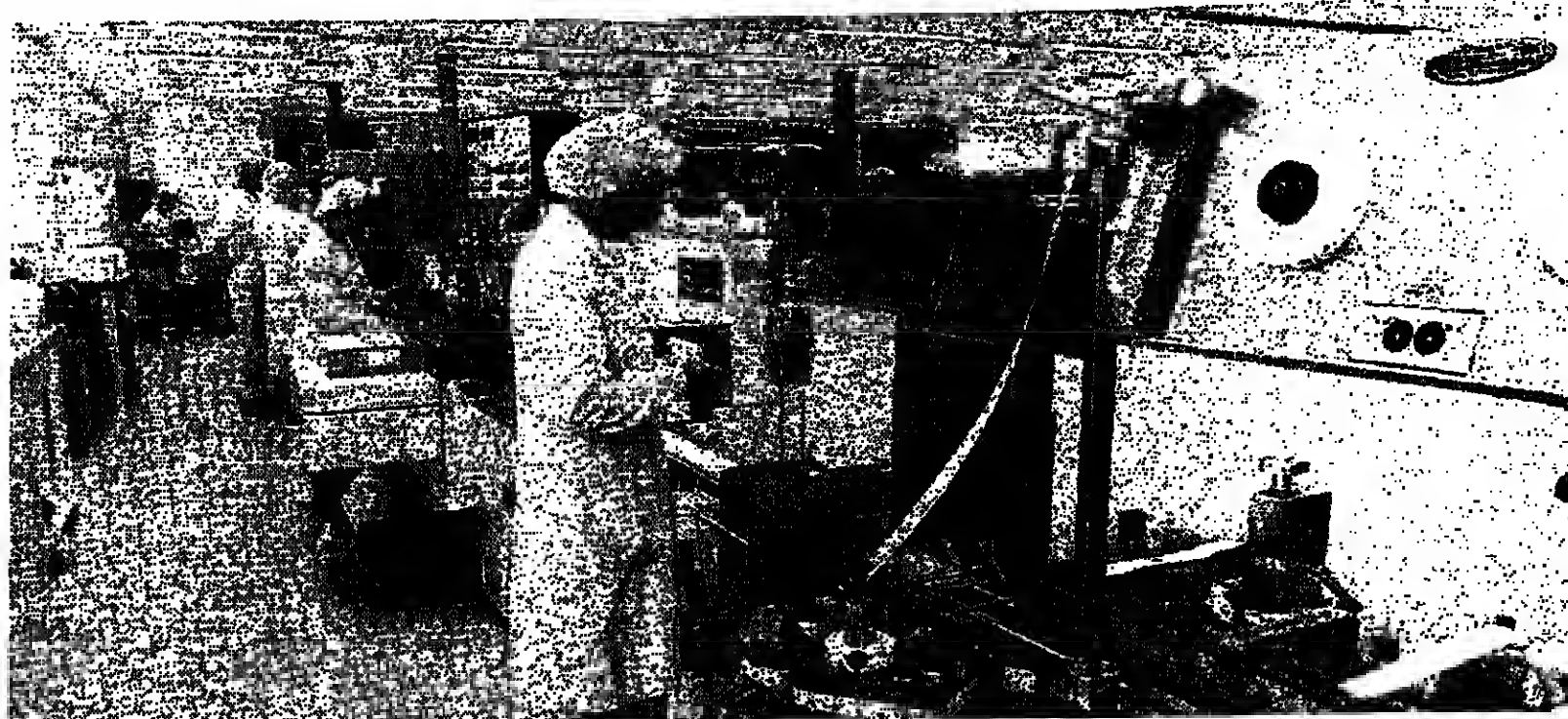
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PHARMACEUTICALS 2

Pharmaceutical research and development, 1992-93

	R&D, 1992 in \$m	R&D, 1993 in \$m	Increase %, 1993	Sales, 1993	% R&D/ sales
1. Roche	1,090	>1,240	>13.8	5,261	23.56
2. Johnson & Johnson*	1,111	1,200	8.0	14,130	8.5
3. Merck*	1,117	1,170	4.7	10,490	11.15
4. Glaxo**	880	1,093	24.2	6,080	18.00
5. BMS	932	972	4.3	6,524	14.90
6. Eli Lilly*	925	954	3.1	6,500	14.67
7. Pfizer†	783	888	16.4	6,210	14.30
8. Abbott†	772	881	14.1	8,400	10.48
9. Bayer†	714	810	13.4	5,522	14.60
10. Sandoz	751	>801	>6.7	4,948	>16.2
11. Hoechst	792	n/a	n/a	n/a	n/a
12. SmithKline Beecham	609	732	20.2	5,153	14.20
13. American Home Products*	552	663	20.1	8,304	7.98
14. Ciba	657	n/a	n/a	n/a	n/a
15. Monsanto*	651	620	-4.8	7,902	7.80
16. American Cyanamid	531	596	12.2	4,277	13.9
17. Schering-Plough*	521	578	10.9	4,341	13.30
18. Rhône-Poulenc Rorer	521	561	7.7	4,000	14.05
19. Upjohn	510	566	11.0	3,007	18.80
20. Takeda S	535	557	4.1	6,720	8.28
21. Boehringer Ingelheim	489	n/a	n/a	n/a	n/a
22. Wellcome *	369	482	30.6	3,019	15.90
23. Corange	459	n/a	n/a	n/a	n/a
24. Marion Merrell Dow	485	451	-3.0	2,818	16.0
25. Schering	422	450	6.6	2,379	18.90
26. Zeneca	378	429	13.5	2,768	15.49
27. Eli Sanofi	352	414	17.6	2,120	19.60
28. Syntex*	374	404	8.0	2,123	19.00
29. Astra	288	389	30.5	2,712	14.30
30. Pharmacia	384	n/a	n/a	3,290	n/a
31. Parke Davis	383	380	-0.8	2,114	18.00
32. Yamanouchi	320	360	12.5	n/a	n/a
33. Fujisawa	335	357	6.6	2,390	14.80
34. Sankyo S	318	345	8.5	3,570	9.60
35. Genentech	279	299	7.2	457	65.00
36. Eisai S	273	277	1.5	2,100	13.20
37. Novo Nordisk*	225	257	14.2	1,790	14.30
38. Shionogi S	260	254	-2.3	2,140	11.80
39. Daiichi S	217	234	7.8	1,880	12.30
40. E.Merck	217	221	1.8	1,572	14.06
41. Knoll (BASF)	172	185	7.8	1,050	17.60
42. Synthelabo	156	174	11.5	1,114	15.60
43. Solway	180	n/a	n/a	n/a	n/a
44. Ares Serrano	133	118	-11.3	755	15.60

Currencies as at December 31, 1993; * indicates group; ** year-end June 30, 1993; † indicates healthcare; S estimates for 1993; † indicates year-end, August 30, 1993. Source: Financial Times - data compiled by Anne-Brit Duffell and Paul Abrahams.



Production methods are being streamlined: pictured here is a tableting line at Napp Laboratories, Cambridge Science Park, Cambridgeshire

Picture by Tony Anderson

Playing for high stakes in molecular roulette

Continued from previous page

The problem of how to access such new technologies is exercising the minds of all research directors. Many are clearly irked by the view propagated by small biotechnology pharmaceutical groups are being left behind.

Although a few groups such as Roche and Rhône-Poulenc Rorer have acquired biotechnology companies, others have limited themselves to small joint-ventures, adopting a portfolio approach.

The difficulty for the pharmaceutical companies is creating the in-house expertise capable of judging which projects to pick.

Dr Hiroyuki Nagasako, board director for corporate planning

at Daiichi, the Japanese group, explains why his company has no plans to link up with biotechnology companies. "There are exciting things happening in the US biotechnology industry but frankly you need to develop proper levels of expertise to manage these technologies and unfortunately we do not have these skills. It's an expensive business and you can waste a lot of money."

Given the increasingly difficult environment for pharmaceutical companies, only those capable of discovering and rapidly developing innovative drugs on a global basis will survive.

Dr John McCall, executive director of discovery research at Upjohn in the US, says: "The right response to the new envi-

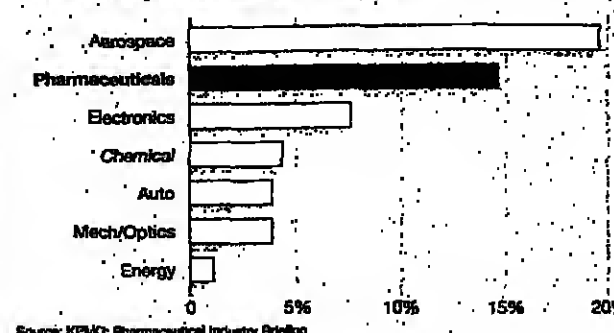
ronment is clearly to develop novel compounds. They're more fun to work with, easier to register with the regulatory authorities and more profitable. There will be no place for me-too, copy-cat, drugs in the future."

Targeting innovative drugs is a high-risk, high reward strategy.

"Development is going to be riskier," says Dr Robert Spiegel, senior vice-president of clinical research at Schering-Plough research institute in the US.

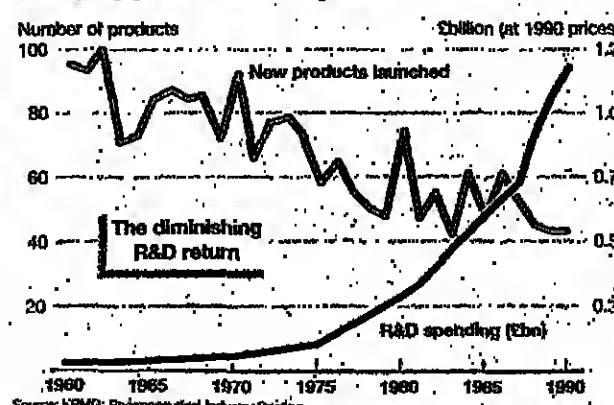
"There will be companies capable of discovering innovative profitable compounds that allow them to fund further research, and then there are others who are just going to go down the tubes."

R&D as a percentage of sales



Source: NPDIC, Pharmaceutical Industry Briefing

Bringing products to market



Source: NPDIC, Pharmaceutical Industry Briefing

Not what the doctor ordered!

Pharmacists may be allowed to substitute cheaper, non-branded drugs for brand name products prescribed for patients by their doctors, Dr Brian Mawhinney, Health Minister, announced yesterday.

He told the Parliamentary Health Committee he was planning discussions with representatives of family doctors and pharmacists on the introduction of the scheme.¹



¹ Reported in 'The Daily Telegraph', 18 February 1994

Generic substitution would have a major impact on a successful British industry.

Provisional figures show that the British pharmaceutical industry contributed a trade surplus of more than £1,500 million to the national economy last year.

This surplus has been achieved largely as a result of massive investment in research by the manufacturers of branded medicines - enabling the UK pharmaceutical industry to stay ahead of its international competitors.

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PHARMACEUTICALS 3

RESEARCH TRENDS

Drug discovery, the first phase of pharmaceutical research, is being reshaped by several strong technological forces, writes Clive Cookson, Science Editor

Combination of brains and brawn

Two of the most powerful factors in pharmaceutical research may seem to be leading in different directions. One is the ability to screen vast numbers of molecules - which may be natural products or synthetic chemicals - ever more rapidly for useful pharmacological activity. The other is the use of computers to design an individual molecule to fit perfectly into a particular biochemical slot, such as a receptor site on an enzyme.

There are indeed companies focusing hard on one or other of these approaches. For example, Affymax in Palo Alto, California, has pioneered techniques to make and test millions of new compounds, by putting together peptides from random combinations of amino acids. The pharmaceutical industry is suddenly showing great interest in creating huge "chemical libraries" of this sort for mass screening.

At the other extreme is Agouron, based further south in La Jolla, California. It is a leading exponent of "rational drug design" by computer. The company says its anti-cancer drug AG-337, now in clinical trials, is the first in the world developed from scratch by computational chemistry, without reference to existing compounds. Agouron designed AG-337 to inhibit thymidylate synthase, an enzyme required by rapidly dividing cancer cells.

But most drug companies are combining brains and brawn in their approach to drug discovery, says Dr Trevor Nicholls, European managing director of Amersham Life Sciences, a UK-based supplier of research tools to the pharmaceutical industry - "some of our customers are using both approaches in tandem. They look for a good shape to fit a particular receptor, through the principles of rational drug design, and synthesise many molecules with the same general shape. Then they use 'high throughput screening' to find the best of this rationally chosen bunch."

Sir Richard Sykes, chief executive of

Glaxo, agrees that the use of chemical libraries in this way has enormous potential - "if you have a target - if you have identified a receptor or enzyme, you can clone its gene and crystallise the resulting protein. Then you can look at the active site and say this is the sort of molecule you can fit into it. With chemical libraries, you can make thousands of variants and see whether by iteration you can get a better and better fit."

"You're limited at the moment with chemical libraries - they consist mainly of peptides - but as the technology develops you will be able to make thousands of variations of these molecules instead of needing medicinal chemists to make them. Then the fine tuning would be done by medicinal chemists," Sir Richard says.

Glaxo launched a chemical libraries initiative last year. In the US the company has an ambitious programme to synthesise a million small molecules. In the UK,

Glaxo is concentrating on building up chemically diverse collections of organic molecules that might be developed into drugs.

Sir Richard says chemical libraries and their associated technologies will enable research chemists to spend less time on the routine aspects of organic synthesis and more on the creative medicinal aspects of chemistry.

Meanwhile laboratory automation, together with new techniques such as Amersham's Scintillation Proximity Assay, is rapidly speeding up the rate of screening. "People are regularly running assays with up to 10,000 samples on a single screening run, which can be completed within a day," Dr Nicholls says. "Some companies are now looking to increase that by a factor of 10, for example by mixing several compounds in a single well. If you get a 'hit' in a particular well, you then separate the compounds out and test them individually."

Dr John McCall, executive director of discovery research at Upjohn, says his company is "now using recombinant technology to screen as many as 12,000 compounds in a day - which used to take 12 to 15 months. That represents one of the biggest revolutions in molecular biology."

Both mass screening and rational drug design share a common underlying technology: genetic engineering. They are feasible because "recombinant DNA" techniques enable researchers to clone the gene for any protein receptor and transfer it to cells in culture, which then produce large quantities of the pure protein.

For screening, the protein is incorporated in an assay which tests whether candidate drugs bind to it. For drug design, X-ray crystallography is used to obtain the protein's precise three-dimensional structure which can then be fed into a computer programmed to carry out molecular modelling.

Agouron employs 17 X-ray crystallographers who play a central role in the drug design process. They crystallise not only

the pure target protein but also the complex formed when the drug binds to it. Their structures are fed back to the computer scientists, who use the detailed information about the binding site to improve the drug further. So the design process involves an iterative cycle between computer modelling and crystallography.

How will drug discovery develop in the future? "Over the next few years, we're going to see more emphasis on experiments taking place within living cells," predicts Dr John Maynard, research director of Amersham International. "You can only examine cellular expression systems by looking at living cells."

Sir Richard Sykes believes that it will become technically possible to improve the structure of candidate drugs *in situ*, while the molecule is actually attached to the target site, through a process of chemical evolution - "the long-term potential is to put some sort of evolutionary pressure on the discovery process," he says.

"For example, if you have an enzyme, by an evolutionary technology you would develop the molecule within the active site. I would think this is the way people are thinking: move away from peptides to small organic molecules and alter them within the active site. In effect you're trying to speed up the process of natural evolution."

One of the fastest growing aspects of pharmaceutical R&D is contract research

Contract research has expanded from a small cottage industry in the mid-1970s to a business whose worldwide turnover is now estimated at \$3bn a year.

Contract research organisations - known generally as CROs - span the whole spectrum of pharmaceutical R&D. In the discovery phase, they synthesise tiny quantities of research chemicals and help to elucidate the pharmacological action of new molecules.

But their biggest contribution comes in clinical development; indeed, some of the larger CROs have built up clinical departments as large as those in medium-sized pharmaceutical companies. Toxicology and laboratory analysis are the most mature sectors of the CRO market, in which companies routinely contract out work.

A book just published* by Technomark, a London consultancy, contains what is claimed to be the first comprehensive analysis of the international contract research industry. It shows that there about

1,000 CROs worldwide, of which at least 20 have revenues exceeding \$20m a year.

Richard Wyse and Graham Hughes, the Technomark authors, estimate that the European CRO industry has a turnover of about \$900m, of which the UK accounts for \$400m. Britain is the preferred location for drug development programmes, they say, because of the strength of its scientific expertise, its health and academic infrastructure and, above all, its favourable legislative and economic conditions.

Factors fueling the rapid growth in contracting out include:

● Regulatory and legislative changes which require pharmaceutical companies to carry out larger and more wide-ranging studies.

● Globalisation of the pharmaceutical industry; CROs have local knowledge and skills which can be very attractive to, say, a Japanese drug company trying to expand into Europe.

● Growth of biotechnology companies which have little in-house experience of the complex process of clinical development and cannot afford to staff their own overseas offices.

● Strategic decisions by many pharmaceutical companies to

use CROs for certain areas of R&D, so as to accelerate development and cut costs.

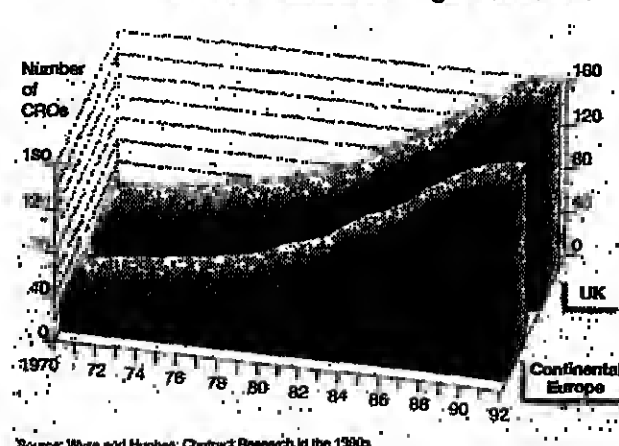
● Increasing recognition by the industry that CROs represent a valuable source of expertise.

Sir Richard Sykes, chief executive of Glaxo, explains why CROs are so useful - "in R&D, there's a baseline level of activity and then there are peaks and troughs. It's important not to staff up for the peaks," he says. "The idea is generally to contract out for the peaks; that way we can keep a lean machine."

That is the classic justification for contracting-out. Dr Pierre Simon, R&D director of Elf Sanofi, puts it similarly: "Development comes in waves. We want to use our development capacity at 100 per cent," he says. "Anything over 100 per cent and we turn to CROs. That's better than hiring new people. This is an unstable world. I'd prefer not to hire people and then fire them a couple of years later."

Japanese drug companies

Growth of Contract Research Organisations



Source: Wyse and Hughes: Contract Research in the 1990s

with global ambitions have particular reason to contract out clinical development overseas. "We already use CROs in the US," says Mr Masaji Ono, managing director for R&D at Eisai. "We aren't sure in Europe yet. There's no tradition of CROs in Japan, but they make it very easy to enter

Europe. That avoids having to build up important infrastructure."

Sir Richard Sykes draws a clear distinction between contracting-out and collaborative research. "Contracting-out is for a specific task; we lay down the parameters and we pay for it," he says. "That's quite different from collaboration, where there's a close flow of information between us and our partners."

In 1992/93, Glaxo spent £183m on research, of which £35m went to external organisations - mainly collaborative partners. In the same year, the company spent £556m on development, of which £128m was external - mainly contracted out.

"Our major competitors are still the pharmaceutical companies themselves, rather than other CROs," says Dr John Mills, senior vice-president for Europe at Besselaar - one of the largest CROs with 1,100 employees worldwide.

"In some companies the medical directors are resistant to

contracting-out because they think they will lose control by handing work over to us. People are not yet as open with us as they could be."

Even so, Dr Mills says, there has been a huge change in attitudes over the past 20 years.

"When I started out in the industry, you contracted-out the bits which you really didn't want to do or which you were afraid might fail."

"Contracting was regarded as a rather mucky end of the business - and not very exciting. We're much more respectable now."

Mr Simoo Garnham, who founded Chiltern International in 1983 and has seen it grow into a substantial European CRO, describes another change.

"The market has developed from a very immature, not to say casual, situation 10 to 15 years ago when significant clinical research expenditures were often made on the basis of discussions and a simple exchange of letters, to a point today where sophisticated 30-page legal agreements accompanied by full product specifications and costings are more the norm."

Most people in the contract research industry expect it to continue growing in the years ahead, though not as quickly

as over the past two decades.

"The minimum critical mass necessary to undertake larger projects today is somewhere of the order of 100 staff, spread amongst a balance of departments giving really quite significant drug development capabilities," says Mr Garnham.

"But by trying to keep the size of functional groups modest, say between 20 and 30, it is possible for contractors to respond to clients better and for clients to identify better with those groups who are providing services."

"Overall, the market today is still very fractured," he says. "In 20 years' time, people in business schools will probably look back and refer to this as a classic situation of an immature market developing and polarising into a relatively small number of relatively large players who dominate the game, together with a relatively large number of small players to provide highly specialised services - in particular, therapeutic or geographical areas."

□ □ □
*Pharmaceutical Contract Research in the 1990s, £250, from Technomark, King House, 5-11 Westbourne Grove, London W2 4UA.

Clive Cookson

Do they cost the health service a packet? Or save it a fortune?

MODERN medicines aren't cheap.

AND as science becomes more sophisticated and research

and development costs rise

inexorably, they're unlikely to

become cheaper

WHICH poses an obvious dilemma for every

health service which is trying to meet rising

public expectations for healthcare, with-

out imposing a crippling burden on

taxpayers.

BUT do today's medicines often represent the

cost-effective solution, rather than adding to

the problem?

WHAT if they can help do away with the

need for expensive surgery? (As has already

happened in the field of gastric ulcers.)

SUPPOSE - as one recent study on heart disease

suggests - they can reduce, or in some cases

eliminate, the need for hospitalisation?

WHAT's the true economic

cost (or benefit) to society

of a medicine that allows

a migraine sufferer

to perform efficiently and productively

rather than having time off work?

GLAXO has taken a lead in its industry by

investing time, effort and money to investigate

questions like these.

TODAY, we employ over 50 specialist health

economists around the world to conduct and

coordinate research - often in partnership

with independent bodies - into the

complex balance between the cost of

treatment and the resulting improvements

in the health, and quality of life, of patients

As we develop new medicines, our goal is not

only to meet the highest

standards of safety,

efficacy and quality.

We also

recognise the need to provide

demonstrable value for

patients and health services alike.

AND it's a need we're ready to meet.

Glaxo

WORKING FOR A HEALTHIER WORLD



Figures for the period: January to December, 1993

* Indicates non-brand/ generic sales data source for the above table: Pharmaceutical Business News, market report, March 1994; the table below is from Latham Brothers.

Company	Therapeutic Class	Indication	Company brand name	Generic name	Launch date, Major markets
J & J Pharmacia	Anti-psychotic	D2-5-HT2 antagon.	Risperdal	risperidone	93-8 Wld
Alcoa Pharma	Anti-psychotic	D2-5-HT2 antagon.		amperozide	98 Eur
Pfizer	Anti-psychotic	D2-5-HT2 antagon.		Org 5222	97 Wld
Hoechst	Anti-psychotic	D2-5-HT2 antagon.		CP-88059	95+ Wld
Fujisawa	Anti-psychotic	D2-5-HT2 antagon.		HP873	98+ US
Zeneca	Anti-psychotic		Nipotel	zotepine	90 Germ+Eur
Lilly, Eli	Anti-psychotic		Seroquel	KI 204 836	97/8 Wld
Lilly, Eli	Anti-psychotic			olanzapine	96/7 Wld
Ciba	Anti-epileptic			zaleplon	97/8 Wld
Warner Lambert	Anti-epileptic		Trileptal	oxcarbazepine	96 US
Wellcome	Anti-epileptic	glutamate release inh.	Neurotin	gabapentin	94-3 Wld
Marion M Dow	Anti-epileptic		Lamictal	lamotrigine	90-3 Wld
Fisons	Anti-epileptic		Sabril	vigabatrin	95 US
Roche	Dementia	NMDA antagonist		ramacemide	98 Eur
Forest Labs	Dementia	cholinergic		aniracetam	93-7 Eur
Hoechst	Dementia	cholinergic	Synapton	physostigmine	96 US
Warner Lambert	Dementia	cholinergic	Mechane	velnacrine	94 Wld
Sunlmo	Dementia	cholinergic	Cognex	tacrine	93 US+Eur
Takeda	Dementia	cholinesterase inh.		SM-10688	96 Jap
				TAK-147	98+ Jap
Eliel	Dementia	cholinergic		E 2020	96+ Jap
Sigma Tau	Dementia	cerebral metab.	Alcar	acetyl-carnitine	96+ US
SmithKline Beecham	Dementia	cerebral metab.	Alcar	acetyl-carnitine	95 US
Dainippon	Dementia	cerebral metab.	RGH-2202	posindrin	98 Jap
Daiichi	Dementia	cerebral metab.	DAI-8384	nefiracetam	96 Jap
Chugai	Dementia	cerebral vasodilator	Antivas	nicarazen	92 Jap
Chugai	Dementia			nicorandil	95 Jap
Yamanouchi	Dementia			indoleazone	96+ Germ
Du Pont Merck (M)	Dementia		DUP-996	linopiridine	98 US
Roche	Dementia	MAO-B inh.	lasebentide	Ro-19-6327	98 Wld
Hoechst	Dementia	xanthine		propentofylline	96 Eur
Hoechst	Dementia (MID)	xanthine	(Trenbal)	pentoxifylline	93 Eur
Bayer	Dementia	Ca antagon.	Nimotop	nimodipine	90-4 US+Eur
Sandoz/Monsanto	Dementia	NMDA antagon.	Glycax	milacemide	96-97US+Jap
Hoechst	Dementia	ACTH analogue		abiridide	96 Wld
Schering AG	Dementia	beta-carboline		gedocarinil	9900 Eur+US
Bristol Myers Squibb	Dementia	ACE inhibitor		cereaspiril	97 Wld
Ono	Dementia	PPDE		ONO 1603	95 Jap
Tanabe	Dementia	thyrotrophic rel. horm. anal.		TA-081D	94 Jap
Takeda	Dementia			TH-SR	98+ Jap
B. Ingelheim	Alzheimer's	M1 antagonist		WAL2014	98+ Wld
Yamanouchi	Dementia	M1 rec. stimulator		YM 798	98+ Jap
B. Ingelheim	Dementia	A1 antagonist		KFM 19	98+ Wld
Bayer	Dementia	Cholinesterase Inhib.		metrifonate	98 Wld
Sandoz	Dementia			ENA 713	98+ Wld
Glaxo	Memory	5-HT3 antagon.		ondansetron	97 Wld
Lilly, Eli	Memory	5-HT3 antagon.		zaleplon	97 Wld
Glaxo	Acid disorders	H2/H3 antagonist		ranitidine	95/96Wld
Abbott	Acid disorders	proton pump inh.		lansoprazole	92-94 Wld
Takeda	Acid disorders	proton pump inh.		lansoprazole	92-94 Jap
Eliel	Acid disorders	proton pump inh.	Takexon/Ogest	E 3810	94-95 Jap
Lilly, Eli	Acid disorders	proton pump inh.		E 3810	97+ US
Glaxo	Emesis	5-HT3 antagon.	Zofran	ondansetron	90-91Eur+US
SmithKline Beecham	Emesis	5-HT3 antagon.	Kytril	granisetron	91-94Wld
Sandoz	Emesis	5-HT3 antagon.	Navoban	tropisetron	93-7 Wld
Yamanouchi	Emesis	5-HT3 antagon.		YM 060	96 Jap
Glaxo	Emesis	5-HT3 antagon.		GR 87442N	97 Wld
Synthelabo	BPH	alpha blocker		alfuzosin	95/6 Jap
Yamanouchi	BPH	alpha blocker		arnostolol	US+Eur
B. Ingelheim	BPH	alpha blocker		taniprostene	Eur
Merck	BPH	androgen inh.	Proscar	finasteride	92-7 Wld
Yamanouchi	BPH	androgen inh.	Proscar	finasteride	96/7 Jap
SmithKline Beecham	BPH	androgen inh.	SK&F105857	apriesteride	96-97Wld
Servier	Obesity	5-HT uptake inh.		dexfenfluramine	93 US
Lilly, Eli	Obesity	5-HT uptake inh.	Lovan	fluoxetine	93/4 Wld
Pfizer	Obesity	5-HT uptake inh.		sertraline	95 US
B. Ingelheim	Obesity	beta-3 agonist		ULF3007	96+ Wld
Roshe	Obesity	beta-3 agonist	Orlistat	orlistat	97+ Wld
American Home	Osteoporosis	HRT	Promerin MPA	oral progesterin comb.	93 US
Ciba	Osteoporosis	HRT	Estracombi	oral comb.	93 Wld
Warner Lambert	Osteoporosis	HRT		CI-375	94/5 US
Schering AG	Osteoporosis			estradiol patch	95 Eur+US
Alcoa Pharma	Osteoporosis	synthetic steroid	Livial	tibolone	95-6 Wld
Rhone P. Rorer	Osteoporosis	calcitonin		calcitonin(nasal)	94 US
Sandoz	Osteoporosis	calcitonin	Macipon	calcitonin (i.nasal)	94/5 US

The details above were supplied by Lehman Brothers' pharmaceutical research team which is among the leaders in the analysis of trends in the world healthcare industry. The team, composed of 13 healthcare specialists based in London, New York and Tokyo, regularly provides updates on products under development. More details available from Lehman Brothers in London on 071 260 2266.

Research moves to sharper focus

As growth of the world's pharmaceuticals market continues to decelerate, so research and development managers are being forced to be more focused in the way they direct their companies' R&D efforts.

"I think R&D spending will slow down," says Dr Roy Vagelos, chairman and chief executive of Merck. "Over the last 15 years, R&D has grown at about 14 per cent a year. I'd love that to continue, but it's no longer an option."

Most groups are responding to the new environment by reducing the number of therapeutic categories they explore. Admittedly, a few, giant groups, can continue to cover most areas. Dr Edward Scolnick, president of Merck Research Laboratories, says: "You can do research in most things in most therapeutic areas. It doesn't cost that much."

Other companies, without the benefit of an R&D budget of more than \$1bn a year, and 1,800 people working in discovery, are being forced to concentrate their efforts.

"You have to be at the leading edge of the areas you're researching and you have to be focused," says Mr Lodewijk de Vink, president and chief operating officer of Warner-Lambert.

"It'll be like the biotechnology industry. You'll soon be talking about burn-out rate for those pharmaceuticals companies still looking at all areas."

Choosing which therapeutic areas to investigate is far from easy - "the hardest decision you have to make is which areas to explore," says Dr William Scott, senior vice-president of exploratory drug discovery research at Bristol-Myers.

Squibb. "It's like a kid going into a candy store with a credit card. You can kill yourself. You have to be very focused." Many R&D directors continue to duck the difficult decisions. Although they claim they are more focused than before, the areas they continue to explore cover most human diseases. An R&D director whose researchers are looking at inflammatory diseases can cover diseases as diverse as asthma, rheumatoid arthritis, and inflammatory bowel syndrome.

When choosing which areas to cover, there are a large number of criteria adopted by companies. The most important are probably medical need and biological science, according to Dr Scolnick - "biologically you have to understand the basic physiology - what the disease mechanisms are. We find projects with the right combination of scientific understanding

Research directors face hard choices over which areas to investigate

and medical need and then we set to work."

Dr Takao Tanakawa, executive director of drug discovery division at Fujisawa, agrees: "You have to understand the basic pathology of the disease. Although Alzheimer's looks interesting because there's a huge potential market, we've

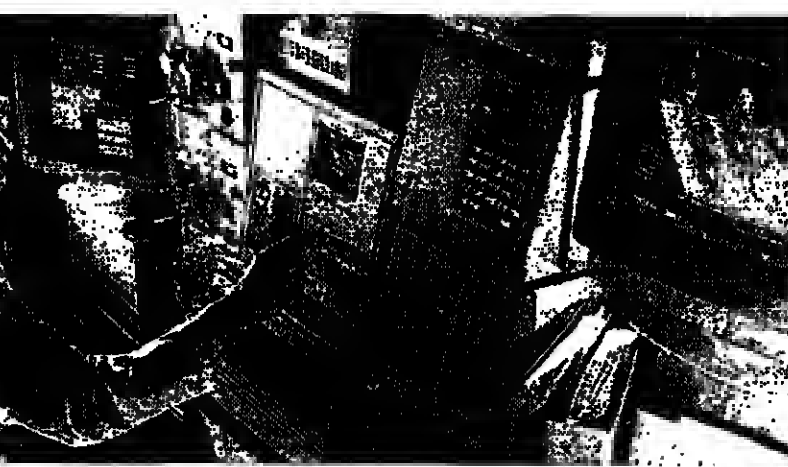
steered clear of dementia because we don't understand what's going on. That means it's difficult to develop anything really innovative."

Some companies also try to match unmet needs with their expertise. At Schering-Plough, management will only work in areas that match the company's strengths, where the group has sufficient critical mass to make a difference, according to Dr Robert Spiegel, senior vice-president of clinical research.

The demand for new treatments for diseases in the elderly, such as osteoporosis, and Alzheimer's has attracted many companies.

Dr Teruhisa Noguchi, executive vice-president for R&D at Yamanouchi, explains: "We've decided to concentrate on cardiovascular, gastro-intestinal and central nervous system diseases, as well as endocrinology, diabetes and bone disorders. They're all linked to the ageing population which is a real problem in Japan."

But there are dangers in focusing only on untreated and



A quarter of the world's top 50 medicines were originated in the UK

unexplored areas. Some groups see the need to balance the risks between different therapeutic categories.

Dr Spiegel at Schering-Plough explains: "There are some discovery areas where we are quite comfortable that if we invest the money and have the patience, products will come out."

"But there are others that are high risk areas that are scientifically exciting and could be of great potential yield, if you hit it right."

"The problem is that the new areas are really difficult," says Dr Spiegel. "In brand new fields, the regulatory and clinical environments are unknown."

"Take Alzheimer's: until Parke Davis had Cognex

approved, nobody knew what sort of efficacy the FDA wanted. There had never been a drug approved in that area before. You have to have a balance of risk."

A number of companies have cut the number of therapeutic areas in a meaningful way. SmithKline Beecham's exit from gastro-intestinal disease more than 12 months ago - it was an area that virtually created its predecessor SmithKline French - was probably the most dramatic.

However, Wellcome has also moved out of tropical diseases, and Dr Trevor Jones, director of research, development and medical, says the group will stop developing new anaesthetics once it has completed its present generation of products.

Dr Pierre Simon, R&D director at Elf Sanofi, explains his company's decision to concentrate on only three areas. "Seven years ago, Sanofi was present in all areas of research. I told the chairman it was stupid - you can't do all that effectively because development is becoming more and more sophisticated and expensive. Instead, we decided to concentrate on just three areas."

Dr Leon Rosenberg, president, Bristol-Myers Squibb Pharmaceutical Research Institute, says: "We'll have to cut some areas over the next few years. We won't scale back on cardiovascular or oncology, and we have a very major position in dermatology."

therapeutic areas have been chosen, the R&D directors next difficulty is to decide which of the many compounds competing for limited developed resources should be selected.

"For the last while, we have only pursued those new therapies that will produce a clear medical benefit. We will only develop those with a distinct advantage," says Dr Paul Herring, head of research at Sanofi.

"There's much more scrutiny than there used to be about the quality of the drugs in development," agrees Dr Robert Spiegel, senior vice-president of clinical research at Schering-Plough. "You have to look at what the market will bear for a product which is only a minor improvement."

"The medicines have to add value, otherwise we're not prepared to spend time and money on them," says Sir Richard Sykes, chief executive of Glaxo.

Dr Scolnick agrees: "You have to have uniqueness in discovery, otherwise you end up selling generic drugs."

Dr Simon adds that he recently cut some beta-blockers and H2-antagonists from his pipeline even though they were safe and effective - "they made no sense because they were little better than existing therapies," he says.

Similarly, Rhône-Poulenc Rorer last year cut a safe and effective 5HT₂ antagonist similar to Glaxo's highly successful Zofran, because it was not

ter than existing compounds, according to Mr Robert Cawthorn, chief executive.

Some groups abandon even promising and innovative projects, however. Dr Simon at Elf Sanofi explains: "When you are using biochemical screening you come up with interesting compounds that do not fit exactly in the areas where you want to work."

"We came up with a good asthma drug, but we had no intention of getting into asthma. We want to license it out. The problem is one of timing. If you talk to early, you haven't much to say. If you're too late you lose time. You have to have good clinical trials to show it's good and then sell out quickly."

Most R&D directors agree it is far easier to develop good quality drugs than poor ones. Dr Masaji Ohno, managing director of R&D at Eisai, agrees: "Our chairman, Mr

There is higher scrutiny today over the quality of drugs in development

Yuji Naito, asks us to find compounds that are so good they develop themselves."

At Sanofi, Dr Simon adds: "You have to set high standards to get compounds into development. We look at strength, oral activity, duration of action, the toxicology and genotoxicity."

"We also make sure the molecule can be metabolised in man. The drug has to clear the bar, even if it's set high."

Production costs are also an important issue, according to Dr Herring. "You have to look at how complicated the molecule is and how many steps it takes to synthesise. The cost and complexity of manufacture is becoming much more important," he says.

Dr Stephen Carter, senior vice-president worldwide clinical research and development at Bristol-Myers Squibb agrees: "If it's going to take 15 chemical steps to produce a compound, I might need 20 chemists full-time working for a year to generate enough for a clinical trial. If that's the case,

I might not put it into development."

The potential market of a drug is also clearly important. Dr Noguchi at Yamanouchi says his company has set a target of minimum annual sales of ¥20bn - about \$200m - for drugs to move into development.

One consequence of the new cost-conscious environment is that decisions about the future of molecules are made much earlier than before.

"Just recently we discontinued a couple of compounds which in earlier times we would have continued to see what happened to them. Today, we just don't have the luxury of doing that," says Dr Spiegel at Schering-Plough.

However, although most companies pay lip-service to the over-riding drive towards innovation, most R&D directors admit they need to balance their portfolios for risk. In Japan, these low-risk, low-reward, compounds are called survival drugs, according to Dr Masaji Ohno, managing director of R&D at Eisai.

"Let's be honest about this," agrees Dr Carter at Bristol-Myers Squibb. "If you just go for high-risk, high-reward blockbusters, you're just going for home runs. That's not necessarily good for business."

"You have to have singles and doubles to support the franchises. You need to balance across the franchises and across the risk. A \$100m product in an old franchise is more valuable than a \$150m product in a new area."

Few companies admit setting out to create me-too drugs. However, Dr Spiegel admits that when you set out to find something exciting you sometimes only come up with a drug offering marginal improvements.

An important area little stressed by R&D directors publicly is that of line extensions.

"We call the process ever-greening," says Dr John Niblack, president Pfizer central research. Dr Carter at Bristol-Myers Squibb agrees: "Line extensions help quality of life and generate increased exclusivity for the company."

"Besides, developing line extensions is easier than developing new compounds because the safety is already proven - you just have to show efficacy. We don't have to spend a lot of money on this, but it's worthwhile."

Paul Abrahams

BRINGING DRUGS TO MARKET

Speed is imperative

Cutting the time it takes to bring a new molecule to market remains one of the industry's most important priorities, writes Paul Abrahams

It is imperative to speed products to market, says Dr Stephen Carter, senior vice president of worldwide clinical research and development - "you're dealing with a finite patent life during which you can market the drug exclusively. That's the period during which you can gain a return on your investment."

Even if it costs more "up front" saving time can be worth hundreds of millions of dollars.

The need to accelerate drug development has become even more acute over the last 12 months, according to Dr Edward Scolnick, president of Merck Research Laboratories. "Cost containment and therapeutic substitution has shortened effective patent life," he explains.

"Look at Pravachol and Mevacor [two cholesterol drugs] - they're competing on price. Although its patents are still valid, they've lost their effective patent life. When Bristol-Myers Squibb's Capoten comes off patent, we expect the healthcare companies won't be willing to pay the difference for our competitor product Vasotec, even though they won't be prescribing the best medicine. We'll lose our effective patent."

The difficulty is that although the drugs groups want to bring products to market as quickly as possible, the regulatory hurdles facing them are increasing all the time. The regulatory process is becoming increasingly complex and demanding, says Dr Carter.

"Just take the fact that you now have to do trials using active control compounds so you can compare the new molecule against the old ones."

"Now you not only have to show that the drugs work, you have to show they work better than the existing therapies. That often means large trials involving large numbers of patients. And the fact that regulatory authorities are asking for clinical end-points, rather than just surrogate markers. Add on to that the requirements for health economics data. It's becoming really expensive and time-consuming," he laments.

Dr Carter admits that one counter-trend is the US Food and Drug Administration's willingness to accelerate approval for life-threatening diseases such as AIDS when there's no available therapy. But this is an exception, he argues.

Another problem is co-ordinating development on a worldwide basis. The costs of development are so high that it is no longer possible to achieve a reasonable return from just the European, or Japanese, or US market.

Rhône-Poulenc Rorer has taken this on board. It is throwing all its resources at

the international development of Taxotere, its new cancer compound.

"We will be filing the new drug applications in north America, Europe and Japan within three months of each other. We've never done that before," says Mr Robert Cawthorn, chief executive.

Dr Trevor Jones, Wellcome's director of research, development and medical, explains: "Five years ago, Japan wasn't even on the agenda for our company. Now it's a central part of our thinking and we've 65 clinical scientists working on phase III trials."

Similarly, some Japanese groups, such as Fujisawa, are busy trying to establish international development capabilities.

Bristol-Myers Squibb has now reached the stage where it

erwise you're dead," says Dr Carter. "Dollars spent on useless compound X, means fewer dollars spent on potential blockbuster Y."

Most drugs groups have been developing far fewer compounds than in the past. Bristol-Myers Squibb reckons it has cut the number of compounds in the pipeline by a third in recent years. At Upjohn, the number of compounds being developed has been cut from 74 three years ago to 34, according to Dr John McCall, executive director of discovery research.

Cutting drugs in development is not easy, however. "It's really easy to start a programme," says Dr William Scott, senior vice-president of exploratory drug discovery research at Bristol-Myers Squibb - "the difficult part is

have to get them to market as quickly as possible. Take our neuroaminidase inhibitor [for treating 'flu]. It's important so it gets 100 per cent attention. We will spare no expense bringing that drug through the system."

"Allocating resources and making these judgments is the most important part of my job," says Dr Scolnick. "On the top-priority drugs, nothing should rate-limit the process. When we were developing Mevacor [a cholesterol-lowering drug and fourth-biggest selling medicine in 1992] there were concerns about its safety. The drug was in limbo. So we used resources at it. Half of the dogs we had were allocated to testing Mevacor's safety - you can't do that with more than two drugs."

One rate-limiting problem can be manufacture - "traditionally, you'd make, say, 5kg of a drug for a trial," says Dr Carter at Bristol-Myers Squibb. "And if the trial looked good you'd make another 5kg. For a potential blockbuster, we'd make it all at the start. In the past, if you didn't do that, you'd save money, but by bedding your bets, it might take two years longer to develop the compound. You have to plan for success rather than failure."

Drawing up a design for the clinical trials and then sticking to it is also important, according to Dr Robert Spiegel, senior vice-president, clinical research at Schering-Plough. "The major improvement comes from having an agreed aim when you start the process, and then - it's going to sound like a cliché - doing it right first time. You have to make sure everyone agrees what you're trying to do and then not make too many changes so you can avoid being forced to go back to scratch and start again," he says.

One technique used by European and US groups - though not Japanese ones - is parallel development. Dr Spiegel explains: "It depends on the product. Either you can wait until you've completed the dose-ranging study and then start the pivotal phase three study, or you can start the pivotal study early, using three or four doses. That takes more resources, but it can be really effective in compressing and telescoping the process."

"Although we might have accrued between 50 and 100 per cent more patients than we might have done normally, and even taken a little longer over the pivotal trial, we could shave two or even three years off waiting for the results of the first dose-ranging trial."

However, not all are convinced of the need to be first. Dr Roy Vagelos, chairman and chief executive of Merck, says: "It's nice to be first, but it's best to be best. Our ace-inhibitor Vasotec overtook Capoten [Bristol-Myers Squibb's drug] because it's a better drug. There's nothing better out there."

Clinical trials: thorough preparation can cut costs: see page 7



Research scientist at the Wellcome group

prepares one core dossier for Europe and the US.

"A long time ago we used to file a new drug application in the US, and then look at Europe."

"We know what's required for the individual markets, but it's far more efficient with a core dossier," says Dr Carter. When Bristol-Myers Squibb prepares assays for the European and US regulatory authorities, it conducts them at Japanese standards, even though the drug may never be developed for that market - "if we do decide to take the product to Japan, it can save us 18 months," he says.

One of the most important elements in achieving speed to market is ensuring the compounds picked for development are good ones.

"When the benefits of a drug are incremental rather than dramatic, then approval becomes a lot tougher. The major breakthroughs are much quicker," says Dr Carter.

Once the compounds have been chosen, the R&D director is then faced with the problem of allocating scarce resources to competing projects.

"You have to prioritise. Other

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examined, reveals an exquisite economy of design and mechanism. Exploring this systematic

maze of intrigue and decoding the underlying order requires the focused attention of highly

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antagonists for gastro-

intestinal diseases, the

identification of the

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successful development of the β -lactamase inhibitors to circumvent bacterial resistance and the

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PHARMACEUTICALS 6

The European drug industry - a suitable case for treatment?

Disappointment over policy document

Peter O'Donnell examines whether the European Union is helping European drug companies



The European drug industry fell - until early 1994 - that it was going to come out of the exercise with a much stronger, pro-industry document. Pictured above is a researcher at Rhône-Poulenc Rorer.

Should the European Union be helping the European drug industry - and if so, how?

This question will echo around European capitals over the coming months, provoked by a policy document finalised in early March by the European Commission. But on the basis of the initial responses to the Commission's paper, the echoes may be a little muted.

For a start, 1994 seems rather late in the day to be addressing such a fundamental question. Over more than three decades, the attention of legislators in Brussels and Strasbourg has focused repeatedly on different aspects of medicines - such as marketing authorisations, patent extension, drug promotion, or cancer research.

Now, all of a sudden, a broad industrial policy is needed, says the Commission, since the framework within which pharmaceutical companies operate "has been profoundly shaken" by rising research and development costs, the emergence of new technologies, and the international trend towards mergers and restructuring.

Secondly, the recommendations the Commission is making are very finely nuanced. From the cautious title - a "communication on the outlines of an industrial policy" - through to the hesitant conclusions, the Commission makes so many careful qualifications in so many different directions that the document provides little clear lead for any kind of action.

The discussion of policy skates over a wide range of issues: industry performance, public health policy and social security spending, research funding, national sovereignty and subsidiarity, competitiveness and competition.

But the Commission fails to offer any effective resolution of the tensions it alludes to, notably between cost-containment and research funding; it goes no further than the observation that "the legitimate concern to limit public expenditure must not be allowed to

jeopardise the future of pharmaceutical research in Europe."

And most of what it prescribes is little more than a dialogue "intensification of dialogue with the member-states" on a range of uninspiring administrative matters such as consolidation of existing legislation, establishment of the new European Medicines Agency, and promotion of research co-ordination.

Not surprisingly, European drug companies have not been dancing in the streets to celebrate a new dawn for high-technology medicines. Industry trade associations and senior company executives who have been closely involved in the evolution of this policy outline are muttering diplomatically about the need to study the document closely before judging it, or they point politely to some of the positive statements that the Commission has incorporated about the value of the industry to Europe's economy and its citizens' health.

"It may prove to be a useful vehicle for a dialogue to develop an industrial policy," conceded Chris Dalton of Zeneca. There is no disguising the intense disappointment felt throughout the research-based industry, however.

Privately, drug company managers admit that the policy document contains much less than they had hoped for - "this is a wasted opportunity," one remarked sadly after leafing through the document.

Others voice the fear that "this is unlikely to have any influence or produce any change." And some talk defiantly of the policy outline "needing a lot more work on it." The US companies in

Europe are already writing to the Commission to express their dissatisfaction.

The disappointment is all the more acute because the European drug industry felt until early 1994 that it was going to come out of the exercise with a much stronger, pro-industry document.

Following a 1991 undertaking from Commissioner Martin Bangemann to back the industry in its battle for better public understanding, a select task force of drug industry experts from Hoechst, Glaxo, Rhône-Poulenc, Merck, Sharp & Dohme and the Swiss firms worked with officials from the Commission's industry affairs services all through 1993, under Bangemann's auspices, to produce a suitable draft.

By early 1994, the document was ready, its chief importance - certainly for the industry - was that it addressed the most serious concern of research-based drug companies: national controls on pricing and reimbursement. It did not go quite as far as the drug firms wanted, but it clearly recommended economic deregulation, with free pricing for new products, a phasing in of more general price liberalisation, and increased patient co-payment to move drug reimbursement further away from political control.

Drug companies felt that at last they were to be given a weapon to battle against discriminatory and anti-competitive national health policies. The *quid pro quo* for this liberalisation was to be additional stimulation of competition from generics and parallel imported medicines, spurred by more comparative information for doctors and the public on drugs and drug prices.

But shortly before the full Commission was asked to

endorse the Bangemann draft, the document was ambushed by a loose coalition of member states, generic drug companies, consumer organisations, and other Commission services who felt that they were being rail-roaded when this text was revealed to them at such an advanced stage of drafting. "National health services are

being asked to adapt to the needs of the drug industry," one outraged official commented. Spearheaded by Social Affairs Commissioner Pádraig Flynn (who is also responsible for the EU's embryonic health policy), an intensive intra-Commission horse-trading exercise built new provisions on health, employment and social econ-

omy considerations into the policy outline. And it reduced to mere platitudes nearly everything that the industry had tried carefully to build into it.

The resulting dilution satisfies no-one - except the member states, who will now retain almost unconditionally the autonomy they prize in managing their own health care budgets, including drug pricing and reimbursement regimes.

"We weren't looking for handouts - just for deregulation," says Anne Polya of Pfizer, plaintively.

But generic drug companies are not happy either. Greg Perry of the European Gener-

ics Association criticises the lack of provision for generic companies to prepare copy products during the last year of a product's patent term, so that copies can be launched immediately on patent expiry - "without this, there is going to be no real increase in generic use," he says.

Even the consumers find the document ultimately unhelpful. Luc Joossens, a Brussels-based consumer spokesman on health affairs, says: "This is now so vague it goes nowhere." He had been hoping for clear commitments to increase incentives for generic prescribing and dispensing, and to provide clear and com-

prehensive data on drug consumption.

Optimists within the Commission believe the document can still serve a useful purpose by stimulating an informed discussion in the European Parliament and in the Council of Industry Ministers of the Twelve.

"Nothing of real substance has been removed from the policy outline," according to Ferdinand Sauer of the Commission's pharmaceutical industry unit. He believes that the agenda it sets may lead national governments to take a fresh look at how to make the most of the asset that the drug industry represents for Europe.

While Brussels has no competence to oblige member states to act in this field, a discussion of this type "may also induce them to voluntarily eliminate any distortions of the functioning of the internal market."

Influencing the economics of drug provision

Extracts from the Commission's policy outline

The policy outline says that [the European drug industry's] "ability to finance the research and development of therapeutically innovative medicines, which is a condition for its long term competitiveness, in particular seems to be relatively weak."

Pharmaceutical spending represents an important share of social security budgets, whose financing is a subject of concern in most member states at the very moment that they are required to contain public deficits in order to prepare for economic and monetary union.

The Commission will see to it that any price control system is operated in such a way that the price setting mechanism is fully transparent and that all forms of discrimination

are prevented.

It would not be acceptable that national decisions relating to price fixing or admission for reimbursement are influenced by the origin of products and discriminate against products imported from other member states.

In the case of medicinal products which are available without prescription - and which are not eligible for reimbursement by social security - it seems that, in some member states, the market is often competitive enough to ensure an affordable price level.

In the case of reimbursed medicinal products, it could be interesting to consider other cost containment measures. Such methods would be based on competition between under-

takings for those therapeutic categories where several treatments are available.

Member-states should not be forced to accept excessive pricing of medicinal products which are not subject to competition, whilst ensuring that the pharmaceutical industry maintains its financial capacity necessary to support its R&D activities.

The Court of Justice has on many occasions ruled that parallel imports are legal, irrespective of the factors that determine price differences.

Prescribing doctors, if better informed about the cost/efficacy ratio of medicinal products, will tend to prescribe generically.

Peter O'Donnell

Case study: Schering-Plough Research Institute

A more selective approach

For US pharmaceutical companies, the impending healthcare reforms promise an era of increased cost-containment and pricing controls. Under the weight of such restrictive measures, how will the innovative drugs industry adapt to survive?

According to Dr Robert Spiegel, senior vice-president clinical research at Schering-Plough Research Institute, the market for new drugs will never subside - "we believe that there will always be a market and a very profitable market for drug companies that can develop novel products that satisfy an unmet need in an important therapeutic area," he says.

In 1993, Schering-Plough spent US\$478m on research and development, an investment which it expects to increase to over \$600m this year.

Despite its continued commitment to R&D funding, Schering-Plough admits that the more cost-driven market has triggered a change of approach.

"There is a new world now that is forcing us even more to adapt our research and development process," says Dr Spiegel.

At Schering-Plough, most of this adaptation has been evolutionary. About three years ago the company set up a Pharmaceutical Economic Unit designed to assess the economic cost and quality of life benefit of potential new drugs at the earliest possible stage.

Evaluation of exactly what Schering-Plough expects to bring to the market when a product is fully developed is now "a prominent part" of its core R&D process, says Dr Spiegel.

Combined with this more selective approach to R&D, is the knowledge that on the way to discovering breakthrough products, drug companies are inevitably exposed to greater risks. This means manufacturers have to be increasingly daring when deciding which compounds to back.

Dr Spiegel says: "If you're only going after Alzheimer's

drugs, the winner of that in the pharmaceutical industry will have a nice pot of gold at the end of the process, but there will be a lot more losers along the way."

Willingness to conduct research in more high-risk areas then, is no guarantee of commercial success. As Raul Cesan, president Schering Laboratories suggests: "We all want to develop something that is unique, yet we may end up with something that is a marginal improvement."

Development of compounds that may offer only a slightly better safety profile over products already on the market is a luxury which research-based drug companies can no longer afford.

In certain cases, "that marginal improvement gives to the system exactly what politicians and government officials want. They lower the price because once you have two or three or four of those [products], prices collapse immediately," argues Raul Cesan.

Research at Schering-Plough Continued on facing page

A new lease of life?

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What the European Union aims to achieve

According to the Commission's policy outline, the principal areas where the European Union is creating a more favourable environment for the drug industry are:

The European Medicines Evaluation Agency - due to come into operation from 1995 in its London base, and providing rapid access to the single market through new product authorisation procedures;

A centralised procedure, leading to a single authorisation for the whole of the EU reserved for certain new medicinal products and mandatory for those derived from biotechnology;

A decentralised procedure, designed for most medicinal products, based on mutual recognition of national marketing authorisations (with disputes to be settled by binding EU arbitration).

The procedure should provide faster authorisations (300 days instead of several years), and keep down cost increases in authorisation processing.

It should also enhance consumer confidence and improve public health protection.

It will help in due course to reduce the diversity from market to market in information about therapeutic indications, side effects, presentation and package size.

Recent legislation includes:

A directive on wholesale distribution of medicines will facilitate and stimulate intra-Community trade whilst ensuring the integrity of transactions, regulating recall of defective products, and deterring counterfeit products.

Directives on medicines advertising, labelling and leaflets will improve information

for patients, limit waste, and impose requirements on promotion to health professionals.

Patent protection: A new regulation ensures intellectual property protection of up to 15 years from the date of first marketing of a medicine in the EU.

A common position was adopted in February on the revised draft directive on legal protection of biotechnological inventions, opening the way for definite adoption during 1994.

A stable and safe environment for new biotechnology projects:

Co-operation between the EU and member-states should improve in order to avoid duplication of research and development projects.

It will be necessary to bring greater attention to ethical questions associated with certain applications of biotechnology and to enhance public understanding.

A review of the regulatory framework in the light of advances in scientific knowledge.

Programmes better suited to pharmaceutical research and development:

Encourage multi-disciplinary research and industry/university interaction.

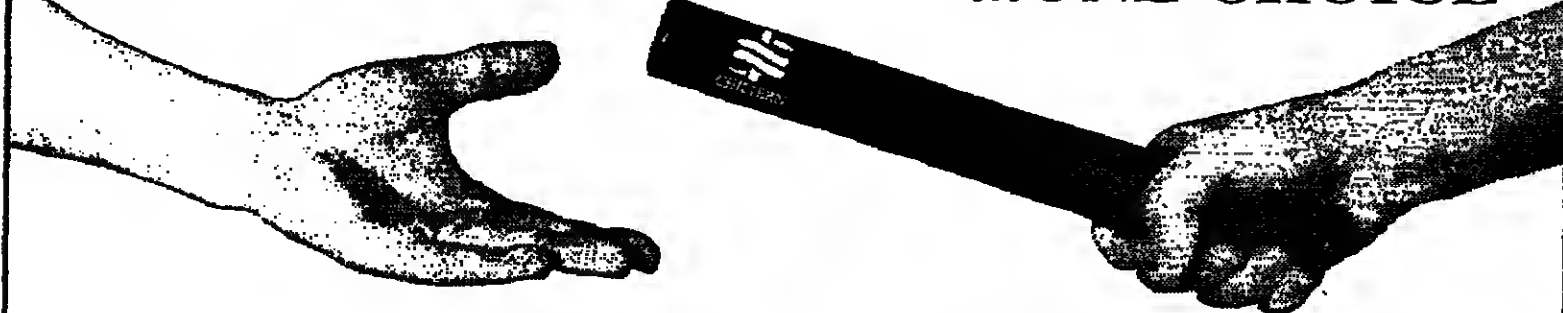
Promote integration and co-operation between pre-normative research and R&D - as in the project Fourth Framework Programme 1994-1998, now in the final stages of discussion.

Evolve research priorities in pharmaceutical research, via pilot projects.

Peter O'Donnell

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PHARMACEUTICALS 7

CLINICAL TRIALS

Thorough preparation can cut costs

If the manufacturer of a product can save a year in its development, that could be equivalent to the final year's sales. For a leading compound, that could be \$400m, reports Alan Archer

Few industries operate under such stringent regulatory controls as the pharmaceutical industry. The complexity and volume of the regulations indicate a high cost area, one of which is clinical trials which are expensive and time consuming.

The three phases of clinical research are the longest and most costly stages in the development of a new drug. They take an average of four to six years, although depending on the type of drug, they may in an extreme case require 10 years.

A single advance in efficiency can be both commercially and scientifically beneficial. Considerable data is assembled from the trials which is subjected to detailed statistical evaluation and medical interpretation.

Effective information technology (IT) management can be a competitive aid in cutting

high costs and helping to streamline the product development and approval process. Companies cannot take short cuts with clinical trials, but with well-planned IT, the risk of errors in documentation and testing can be greatly reduced.

Today, an increasing number of the world's leading pharmaceutical companies are looking to contract research organisations (CROs) to run part or in some cases the whole package of clinical trials. Dr John Mills, international vice-president of Besselaar, one of the largest CROs worldwide, said there is a "dramatic increase" in the amount of contracting-out of clinical trials.

"In the past couple of years we have had twice the number of proposals," says Dr Mills. Some companies request part service while others are requesting the full works, he adds.

A measure of how much clinical trials cost is highlighted by Prof. Richard Peto of the clinical trial service unit, Radcliffe Infirmary, Oxford, who is

carrying out a significant trial on 20,000 people for the effectiveness of a cholesterol-lowering drug. The trial costing some £20m is being equally sponsored by Roche, Merck and the MRC.

But such large sums have to be viewed in proportion - "what is £20m when the sales of the drug are \$1bn per year?"

The regulatory process for pharmaceuticals is becoming increasingly complex and demanding

asks Prof. Peto.

According to a spokesman at the US Pharmaceutical Manufacturers' Association, some clinical trials in the US are now costing \$35,000 per patient over a six-month period.

There have been alternatives to clinical trials. In 1989, the US Congress created the Agency for Health Care Policy and Research (AHCPR) to comb through vast databases of records accumulated by hos-

pitals, insurers, and government health programmes since the late 1980s. These studies are known collectively as "outcome research."

After spending nearly \$200m on this type of research, AHCPR "cannot point to a single case in which its database studies have changed clinical practice," comments Prof. Peto.

Many companies in the industry are hoping the International Conference on Harmonisation (ICH) process will save a lot of time and money on clinical trials.

There is a desire by the Japanese regulatory agency to harmonise its requirements with those of Europe and America.

Dr Trevor Jones, research and development director at Wellcome says: "Until now, we have had to repeat all of the stability data - storage, shelf life, and so on. From now on, we will only do it one way. Some of it we will do in Japan, though. The difficulty is the clinical side and it is still the case that we have to repeat a lot of clinical work in Japan.

We now have 66, mostly clinical-related scientists in Japan to carry out the necessary Phase III trials," he adds.

Dr Jones says Wellcome has reorganised R&D to meet global changes. A new group set up in Wellcome called Euroclin, as a prelude to Worldclin. It has 200 staff spread geographically across Europe.

There is a large group in France with other groups in Italy, and Germany with basic acquisition of data - "this has been done without incentives, such as tax relief but there are three very important advantages: to be in touch with local clinicians; regulators; and local companies," says Dr Jones.

Dr Pierre Simon, research and development director of Sanofi, observes that "you have to set high standards to get compounds into full development. We look at strength, oral activity, duration of action, the toxicology and genotoxicity."

"We also make sure that the molecule is metabolised in

man. The drug has to clear the bar, even if it's set high," says Dr Simon.

"When you have to organise a trial like we have for the anti-thrombotic, Clopidogrel this is a real challenge," he adds. "We need a two-year study, with 500 centres and 15,000 patients. This is difficult for a young company. So far,

Clinical trials in the US can now cost \$35,000 per patient over a six-month period

we have enrolled 9,000 patients - far faster than we thought and we've saved about six months; that's a huge boost to revenues for a large compound."

Another company that keeps a tight rein on its clinical trials preparation is Fujisawa where Dr Hitoshi Oyasu, managing director research and development division, comments: "We don't like cutting out compounds from our

product pipeline, but clinical trials are costly."

"However, we now have 18 NCEs in the cycle - and that is too many."

"We look at the pre-clinical data and if there is no clinical advantages, it gets 'killed.' We 'cut' a promising oral anti-histamine only last year," he adds.

The company believes that the ICH will make a difference to future clinical trials - one day - but progress seems to be difficult at the moment.

Dr Oyasu says: "We are trying to reduce the numbers of clinicians and centres we use for our trials. We want to focus on those investigators who are more reliable and deliver the data on time."

"In the past, some Japanese groups have used the clinical trials as part of their marketing strategy - in some cases there was only one patient per hospital. We want at least eight per hospital."

Dr William Scott, senior vice-president exploratory and drug discovery, Bristol-Myers

Squibb, says: "If you can save one year in development, that's equivalent to the final year's sales."

"For a big compound, that could be \$400m," comments Dr Scott. So even if its costs more up front, saving time can be worth hundreds of millions of dollars.

The problem is that the hurdles are getting higher all the time, he adds. The regulatory process is becoming increasingly complex and demanding - "just take the fact that you now have to do trials using active control compounds so you can compare the new molecule against the old ones. And the fact that regulatory authorities are asking for clinical endpoints, rather than just surrogate markers."

"Admittedly, one counter trend is in the area of life-threatening diseases when there's no available therapy. There you can get accelerated approval using surrogate markers. But the approval is only conditional. You can give the drug to all that require it."

Dr Scott adds: "BMS did this with DDI - which we gave to 27,000 patients - and with D4T which we gave to 9,600 patients. Taxol was also given accelerated approval."

The writer, Alan Archer, is editor of the FT newsletter, Pharmaceutical Business News.

Biotechnology companies are carefully choosing research areas which have the highest appeal to potential funders, writes Daniel Green

Our ideas for your investment

It is difficult to trust anyone when trying to assess the promise of biotechnology research and development. The reason lies in the nature of the biotechnology industry, out as a scientific enterprise but as a capital-raising machine.

Biotechnology is usually defined as drug development and manufacture using living organisms rather than inanimate chemicals.

But as almost any biotechnology company executive will eventually concede, biotech R&D in the private sector is as much a means for raising funds as pushing the frontiers of knowledge.

How it is presented therefore, is coloured not only by the objective standards of a

peer-review scientific journal, but also by the more old-fashioned need to persuade those with money to hand it over.

It takes at least seven years for a potential drug to go from the laboratory bench to the market. During that period, the company must secure enough capital to pay for salaries, clinical trials, regulatory fees and marketing.

According to Mr Steven Burrill, of San Francisco merchant bank Burrill and Craves, the 1,400 or so companies that make up the US biotechnology industry alone need \$5bn a year to survive.

That cash comes from venture capitalists, money and securities markets and large pharmaceutical companies seeking smaller partners.

Each has many demands on its cash and management resources, especially now, when healthcare reforms around the world add a new level of uncertainty to the business of researching and developing new drugs.

But there is much that a biotech company can do in R&D management to raise its bargaining power with the suppliers of capital. Foremost, it can choose carefully the areas of research which appeal to investors.

In principle, it wants to research into diseases which:

- have a high profile, so that a typical investor is familiar with at least its name;
- which can be treated by a relatively small number of specialists - biotechnology

companies cannot afford to have large sales teams knocking on the doors of the western world's general practitioners.

Mr David Robinson, chief executive officer of San Diego, California, company Ligand Pharmaceuticals, says that his company chose to work in cancer therapy partly because of the relatively small number of treatment centres in the US, so "you only need a sales force of 50".

• which has clear end points to a course of treatment, such as complete recovery, rather than marginal improvement. This makes the results of clinical trials less equivocal, which in turn is likely to shorten both the time taken to complete the trials and the deliber-

Pay scales in the biotechnology industry

Company size	Base salary	Annual bonus	Potential share options value
Small	\$181,000	\$51,700	\$1,530,400
Mid-size	\$216,800	\$59,000	\$1,132,800
Large	\$235,800	\$87,900	\$842,700
Top-tier	\$293,300	\$117,700	\$3,510,100

In the US, 54 per cent of chief executive officers in the biotechnology sector received a cash incentive in 1992, which averaged \$73,000; also, 51 per cent received option grants, reported at face value - the number of options times the exercise price; 21 per cent of CEOs exercised shares in 1992, realising option gains (approximation) of \$1,359,400. The mix of base salary, bonus and potential option value is relatively stable, regardless of the company size. Source: Ernst & Young

ations of regulatory authorities, such as the US Food and Drug Administration.

At Cor Therapeutics of south San Francisco, work is being carried out on a drug called 'Integritin', which is used to try to prevent the dangerous complications that arise from a heart treatment called angioplasty.

"The trials are done on a 30-day time frame," says Mr Vaughan Kallian, president and chief executive officer. "Assessing Integritin is relatively

easy because of its clear end-points." If the patient is more likely to emerge from the 30 day period without life threatening complications, the use of the drug can be deemed a success.

• which affects not just the elderly - there are powerful economic and ethical reasons for regulatory authorities to speed the approval of treatments that affect children and

people of working age.

It is widely recognised that cancer drugs progress relatively rapidly through the approvals process, even in the face of, for example, evidence of severe side effects.

Only a handful of illnesses meet these criteria, so it should not be surprising that biotech companies usually work on projects aimed at

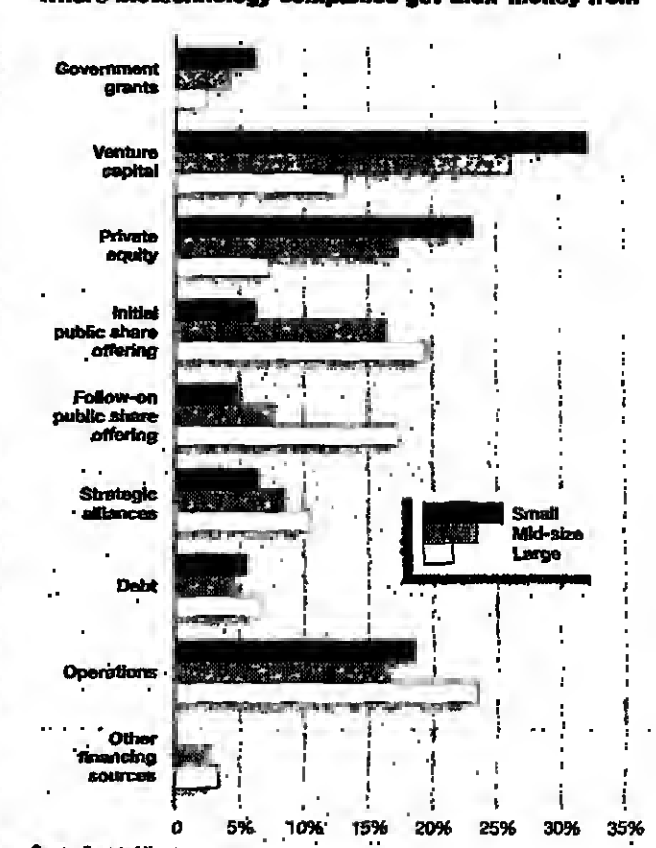
treating at least one of three conditions: Aids, heart disease and cancer.

The formula is not foolproof against the rigours of scientific research. In the 1980s, several biotech companies began research programmes into septic shock, a condition which meets all four of the above criteria for securing funding.

In financial terms the research programmes were successful. Money poured into the companies involved, and three US biotech operations, Ceotocor, of Philadelphia, Pennsylvania, Koma, of Berkeley, California, and Synergen of Boulder, Colorado saw their market capitalisations rise to a combined total of \$4.5bn two years ago.

Since then, their potential septic shock drugs have met with serious problems in clinical trials and today the three companies' combined market capitalisation is less than \$1bn.

Where biotechnology companies get their money from



Source: Ernst and Young

Such setbacks are more than just a jolt for the biotech company concerned and for potential patient beneficiaries of a successful drug.

They are used by the suppliers of biotech capital as evidence that the risks are very high and therefore as a lever to wring concessions out of the companies in return for that capital. The large pharmaceutical companies are not immune from this. Continued on next page.

New incentives to form research alliances

Continued from facing page:

covers six main therapeutic areas. These are: anti-infectives; oncology; allergy; dermatology; cardiovascular and the central nervous system.

According to Dr Spiegel, the secret of the company's R&D success lies in its balance of discovery areas. It supports both research into "quite comfortable" scientific fields and high risk areas of great potential yield.

He explains: "There are times when you're in brand new areas where the regulatory environment and clinical development environment is also unknown. But if you're in those areas that have high potential success, it's worth taking that risk too."

However, incentives to take such risks could soon disappear if the pricing controls proposed under healthcare reform

are approved - "the proposal to severely review the ultimate pricing of a drug, even if it's a breakthrough product, gives a disincentive to how much risk money you would put up for those types of activities," warns Dr Spiegel.

In any case he believes that current market forces are taking care of price controls within the drug industry.

In its 1993 annual report published last week, Schering-Plough announced that between 1991 and 1993, it held average US net prescription drug price increases to below the rate of increase in the consumer price index (CPI), and in 1994 expects price rises again to be at or below the increase in CPI.

"Prices have been moderating dramatically," comments Raul Cesan.

While individual companies

may be suffering a loss of appetite for R&D risk-taking, the US drug industry as a whole is maintaining its commitment to R&D through teamwork.

Joint ventures and alliances between university research departments, smaller biotechnology companies or established pharmaceutical companies show that by pooling their resources, drug companies can continue the search for innovative products.

In future, Dr Spiegel predicts, "there will be more incentive to form alliances in the research area to spread your bets, and that's certainly a concept that we embrace."

In its annual report, Schering-Plough says that about 25 per cent of its research dollars were targeted for biotechnology.

Another form of alliance has seen US drug companies tap into the market of managed

care. Last year, Merck & Co acquired health maintenance organisation Medco Containment Services for \$6m, in a move widely regarded as an attempt to protect market share.

Effectively, the acquisition changed Merck's mission from being a research-based pharmaceutical company to a major player in the healthcare market.

Such redefinition of company business strategy is not anticipated by Schering-Plough. To ensure long-term survival beyond healthcare reform, the company believes continued investment in its R&D pipeline is essential.

Raul Cesan concludes: "You have to find the very successful drugs eventually otherwise you cannot survive."

Claire Wilkinson

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Wednesday March 23 1994

**OVERSEAS MOVING
BY MICHAEL GERSON**
081-446 1900**IN BRIEF****UAP long-term
stake earmarked**

Mr Edmond Alphandery, France's economy minister, has said that 10 per cent of Union des Assurances de Paris (UAP), France's biggest insurer, was to be allocated to long-term investors. Page 18

German carmakers and suppliers unite
Germany's biggest vehicle makers and a leading parts supplier are planning to unite in a venture for cost-cutting. Page 18

Renault trucks cut their loss
Renault Vehicules Industriels, the commercial vehicles subsidiary of the French state-owned automotive group, suffered a net loss of FF1.4bn (\$230m), compared with FF1.62bn. Page 20

Novell transformation
Acquisitions by Novell, the leading supplier of software for personal computer networks, have transformed it into a software powerhouse with annual revenues of nearly \$2bn. Page 21

Star changes direction
Star TV, News Corporation's satellite television arm in Asia, is to change its business strategy in an attempt to broaden its appeal. Page 22

'Bold' acquisitions assist Bowater
Bowater, the UK packaging, printing and coated products group, attributed its 44 per cent increase in full-year pre-tax profits to \$211.5m (\$315m) to its 'bold' acquisitions strategy. Page 24

BSG suffers after falling demand
BSG International, the UK vehicle distribution, childcare products, motor and aviation equipment group, blamed a 27 per cent decline in operating profits on falling demand for automotive and aircraft components. Page 25

Avonmore advances abroad
Avonmore Foods, the Irish dairy and meat processor, lifted turnover last year by 35 per cent to more than £1.1bn (\$1.4bn). Page 27

Sour relations in Italy



Italy's milk producers are strongly resisting a proposal by the European Commission to reduce an increase in their quota just as they are cutting back after years of over-production. Page 28

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FFr)	
Index	885 + 25	Index	672 + 22
Dax	287 + 10	Euro Stoxx	154 + 14
Telecom	225.5 + 6.5	Stoxx	905 + 25
Financials	338 + 8.5	Pharm	721 + 25
Media	880 + 15	Energy	2070 + 52
Auto	1050 + 40	Int'l France	880 + 25
NEW YORK (D)		TOKYO (Yen)	
Index	2444 + 24	Index	1130 + 60
Telecom	6314 + 44	Health Care	940 + 42
Pharm	3914 + 14	Pharm	880 + 35
Media	324 + 14	Media	681 + 35
Energy	424 + 24	Energy	885 + 35
Auto	574 + 16	Auto	498 + 20

New York prices at 12.30pm.

LONDON (Pence)		LONDON (Pence)	
Index	22 + 4	Index	173 + 10
Financials	80 + 13	Telecom	34 + 24
EUIS 500	205 + 10	Telecom	850 + 30
EUIS 100	105 + 10	Telecom	1814 + 14
EUIS 50	185 + 11	Telecom	287 + 11
EUIS 25	375 + 14	Telecom	682 + 21
EUIS 10	365 + 10	Telecom	190 + 10
EUIS 5	443 + 13	Telecom	314 + 14
EUIS 2.5	1513 + 52	Telecom	178 + 14
EUIS 1.25	208 + 17	Telecom	53 + 5
EUIS 0.625	850 + 20	Telecom	252 + 10
EUIS 0.3125	453 + 30	Telecom	30 + 3

Alphandery confirms that non-performing property loans will be floated off

State injection for Crédit Lyonnais

By David Buchan and Alice Rawsthorn in Paris

Mr Edmond Alphandery, the French economy minister, yesterday confirmed that the government plans to restructure Crédit Lyonnais, the loss-making bank, by injecting capital and floating part of its property loans into a state-controlled shell company.

Details of the rescue package will be announced on Thursday afternoon when Crédit Lyonnais, which has been badly affected by

the economic recession after its aggressive expansion in the late 1980s, will disclose a heavy net loss for 1993, estimated by analysts at between FF2.5bn (\$410m) and FF5bn.

The rescue has been the subject of intense negotiation between the government and Mr Jean Peyrelevade, the French financier appointed chairman of Crédit Lyonnais with a brief to prepare it for privatisation.

The package is expected to include a FF4bn capital injection

and the removal from the bank's balance sheet of FF2.5bn-FF4bn of non-performing property loans which will be guaranteed by the government.

Asked whether this operation, coinciding with French requests for approval for large amounts of state aid to Bull and Air France, might not be too much for the European Commission to swallow, Mr Alphandery said that in the case of Crédit Lyonnais, "the government will be carrying out its normal role as shareholder".

He said taking property loans off Crédit Lyonnais' balance sheet "is a classic operation" of the kind carried out for "other French and foreign banks", though he added that it would be notified to Brussels.

Mr Alphandery said he would not take a final decision on the recapitalisation until he had seen the bank's 1993 accounts. The figures will be presented to the board on Thursday.

Still at issue is how long the state will guarantee the property-

related loans before reintegrating them into the bank's balance sheet, and the knock-on financial effect of the operation on Crédit Lyonnais' other shareholders, notably Thomson, the state-controlled electronics group.

Ms Sheila Garrard, banking analyst at Lehman Brothers, said: "Crédit Lyonnais has disappointed us so often in the past, but it now has a chance to clean up its balance sheet and start afresh."

Lex, Page 16

Hoechst tempers optimism for chemical makers

By Christopher Parkes in Frankfurt

Hoechst, the German chemicals concern, yesterday reported an "insignificant" rise in operating profits in the first two months of this year, and no change in domestic earnings or sales.

Growth of 5 per cent in turnover at the parent, Hoechst AG, was entirely due to a 9 per cent increase in exports, according to Mr Wolfgang Hilger, the retiring chairman.

Hoechst, the last of Germany's big three chemicals makers to report on progress, was markedly less optimistic than Bayer, which last week confidently predicted an earnings increase this year of up to 20 per cent. BASF said it expected to raise in spite of a sharply higher tax bill.

Mr Hilger restricted his forecasts to the view that the low point of the recession had been passed and the long-awaited light

on the horizon was visible. Group orders had increased for the first time in two years, although domestic demand was unchanged.

Mr Jürgen Dormann, finance director, who takes over from Mr Hilger next month, was gloomy on prospects in Germany. He doubted if domestic profits would be enough to pay a dividend. Part of this year's pay-out would have to come from foreign earnings and an expected DM200m (\$118m) residual tax rebate.

The group, which announced a DM7 dividend for 1993, down DM2, following a 40 per cent drop in pre-tax earnings on unchanged sales of DM46bn, blamed most of last year's downturn on poor conditions in Europe.

Operating profits in the European Union tumbled to DM289m from DM1bn in 1992. The region, accounting for 60 per cent of output, generated only 20 per cent of operating income. Other regions,



Wolfgang Hilger (left), retiring chairman, with Jürgen Dormann who will take on the job next month

apart from Latin America, showed modest increases, while operating profits fell in all business sectors apart from technical and agricultural products.

Chemicals, fibres and plastics suffered from falling volumes and prices, while business was hit by the miserable condition of the European textile and automo-

tive industries, Mr Hilger said. Better results were achieved from raw materials for detergents. Carbon products had shown a real turnaround, and the plant protection business outside Europe had improved.

Mr Hilger, who said the company spent or set aside DM1bn last year for restructuring - two

thirds within Germany - indicated the process would continue. He gave few details, apart from warning of more job losses. A reduction of 12,000 in the past three years was to be followed by a further 8,000 this year and next.

Total annual personnel costs would be cut by about DM1.5bn. Observer, Page 15

French TV maker returns to profitability

By Alice Rawsthorn in Paris

Thomson Consumer Electronics (TCE), the French company that is one of the world's largest television manufacturers, last year returned to the black at the operating level after three years of losses.

It made an operating profit of FF155m (\$26.3m) against a FF335m deficit in 1992.

However, the company, a subsidiary of Thomson, the state-controlled electronics group,

Thomson Consumer Electronics continues revamp

remained in the red after restructuring charges and the cost of servicing its heavy debt. It made a net loss of FF197.3m, against FF1.77bn.

Mr Alain Prestat, chairman, said the negative trend had become a positive one, although it would take another 18 months for the group to become profitable at the net level. "This time last year people said we were in a

make or break situation," he added. "These results show that we've made it."

TCE, which owns a string of consumer electronics brands in Europe and North America including RCA, Telefunken and Ferguson, has been restructured in the past two years since the arrival as chairman of Mr Prestat, a former civil servant.

Mr Prestat, 41, has cut costs

and reorganised TCE's operations.

The number of employees was reduced by 10 per cent to about 49,000 last year. He has also embarked on a redesign of the group's products - hiring Mr Philippe Starck, the French designer, as artistic director.

The group increased sales by 10 per cent to FF33.48bn in 1993 from FF30.55bn. It made inroads

into Asia and increased its share of the European market.

Mr Prestat hoped to increase sales by another 10 per cent this year. Demand in Europe was still depressed, but conditions in the US and Asia were improving.

TCE is still struggling with heavy borrowings - FF10.3bn at the end of 1993 compared with FF10.7bn a year previously. "Of course I'd like to see a lower level of debt, but that's a matter for our shareholders [the French government]," said Mr Prestat.

Zantac faces new challenge in US

By Richard Waters in New York

Zantac, Glaxo's ulcer medication which is the biggest selling drug in the US, is facing a new challenge following an application by a generic drug company to produce a low-cost version of the product there.

The latest assault on the dominant position of Zantac, which had sales in the US of \$3bn last year and worldwide sales of \$3.5bn, comes as Glaxo is battling in the courts to uphold a US patent which has eight years left to run.

Ciba-Geigy, the Swiss pharmaceuticals group, confirmed yesterday that its Geneva Pharmaceuticals subsidiary had filed an application with the US Food and Drug Administration last month to produce a version of Zantac, known as Form 1. This version of the ulcer drug, ranitidine hydrochloride, is thought never have been produced commercially. Glaxo markets a later version of the drug, known as Form 2.

Glaxo hopes to make its anti-ulcer drug available by the end of 1995, when Glaxo's US patent on Form 1 expires. Ciba would not say what it expected to charge for the product, but added: "It'll certainly be cheaper than Zantac."

The two versions of the drug are identical in their effects on patients, according to both Glaxo and Ciba. Form 2, though, is easier to produce, and was adopted by Glaxo as the preferred version in the early 1980s. The UK company questioned yesterday whether a Form 1 product could be produced commercially, and whether it could be manufactured without some elements of Form 2 Zantac being produced, potentially infringing its patent. Ciba said it could make the drug.

Glaxo also challenged an attempt by Geneva to have its version of the drug approved using a speeded-up approval process applied by the FDA for drugs which were converting from prescription to over-the-counter status. The procedure does not involve time-consuming and expensive trials. Ciba said it expected a quick approval. Geneva had been involved in two precedents in the US of so-called polymorphs - different versions of the same drug - qualifying for rapid approval, it said.

Last summer, Glaxo won a court victory to protect its US patent on Form 2, which expires in 2002.

Somewhere there's a bull run seeking a china shop



These are tough times for the global investment strategists as the markets seek to re-establish order and coherence after last year's bull run was dashed to head off future inflationary pressures.

Cause and effect are more easily related on a flow of funds analysis: the Fed is in the process of shutting off the liquidity pump which inflated securities markets worldwide. The effect of loose monetary policy is normally evident much sooner in financial asset price inflation than in the prices of goods and services generally. A liquidity-driven equity bull market can be punctured more completely than one primarily supported by growth in dividends and earnings.

Distance makes the heart grow harder: there has been a near-30 per cent tumble in the Hong Kong equity market since the peak at the beginning of the year, while New York's Standard & Poor's 500 Index has only retreated some 3 per cent. The contrast is symptomatic of how last year's flows have begun to reverse: US-based money is being withdrawn, or at least is being parked on the sidelines. Flows of money do not easily

explain the whole confusing picture, however. In Europe the equity and bond markets have moved down more or less together, but in the US almost all the damage has been suffered in bonds. As for Japan, the Nikkei index is up some 16 per cent so far in 1994, whereas yen bonds have slumped (the 10-year JGB yield is up by 106 basis points to 4.1 per cent over the same 12 weeks). Stick all that into your tactical asset allocation model and watch it crash.

Well, perhaps, your model is extremely sophisticated. It might allow for the fact that the UK stock market is yield-oriented and is thus sensitive to long-term interest rates whereas nobody buys Japanese equities for the income (which is still quite a long way short of 1 per cent). Some valuation models look at the influence of short-term as well as long-term interest rates, however: the puzzle here is that everywhere outside the US short and long rates are moving in different directions. Again, your model will freeze unless you have programmed in some sophisticated time lags.

Japan is the real challenge. Recovery prospects are a matter of faith, but Tokyo is the beneficiary of setbacks elsewhere. Global investors are seriously underweight in Japanese equities and naturally consider filling that gap when they take profits elsewhere, and find there are no better stories around. But as Mr Robin Griffiths, James Capel's technical analyst, says, the views get more bullish the further you go away from Japan. In the chaotic world of global investment there simply has to be a bull market happening somewhere.

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PHARMACEUTICALS 8

■ DRUG DEVELOPMENT COSTS

Demand for economic specialists

New drugs must not only be safe to use: producers must prove to buyers that their products are clearly cost-effective, too, reports Daniel Green

Wanted: health economics specialists. Excellent pay and prospects with some of the world's biggest corporations. Perks include travel, rubbing shoulders to top management and a key role in the successful launching of products with potential sales of more than \$1bn a year.

This is the message that the world's big pharmaceutical companies are putting out. One of Europe's top companies recently approached Professor Alan Maynard of the Centre for Health Economics at York University in the UK and asked him for the names of five PhDs it could recruit. It did not receive the answer it wanted. "They are just not out there," says Professor Maynard.

The demand has arisen

because the structure of the drugs industry is changing. Where once companies sold to doctors and hospitals, they now sell to governments, insurers and, in the US, corporations from a range of industrial sectors. These are the organisations that actually pay for medicines, and they are beginning to flex their buying power muscles.

For drugs companies, this means that it is no longer enough to show that a drug is safe and works, although this is still required by regulatory bodies such as the Washington-based Food and Drug Administration. Now the task includes demonstrating to the payers that a drug is cost-effective too. The discipline even has a name of its own: 'pharmacoeconomics'.

Nowhere is the importance of this new area clearer than in Australia. Since January 1993, any drug submitted for approval there must be accompanied by not only the results of clinical trials but an economic impact analysis.

That analysis must be based on comparisons with existing treatments. It must cover not

only the price of the drug, but the impact on spending on other medical services and the time a patient spends occupying a hospital bed. Sometimes, in the case of for example, elderly patients, social services costs can be included.

The Australian scheme is still in its early days. Much has yet to be finalised especially the question of how to have an objective measure of patient quality of life.

But the effect on drugs companies has already been

Faced with soaring costs, the role of 'pharmacoeconomics' in the drugs industry seems set to increase

far-reaching. The economics can be simple if a new product is only a marginal improvement on an existing one. A comparison is made of the cost of the drug and any differences in how long the average patient has to spend in hospital.

If however, a "breakthrough"

treatment is being submitted for approval - often with a high price the drugs company has to work hard to demonstrate conclusively that it makes economic sense.

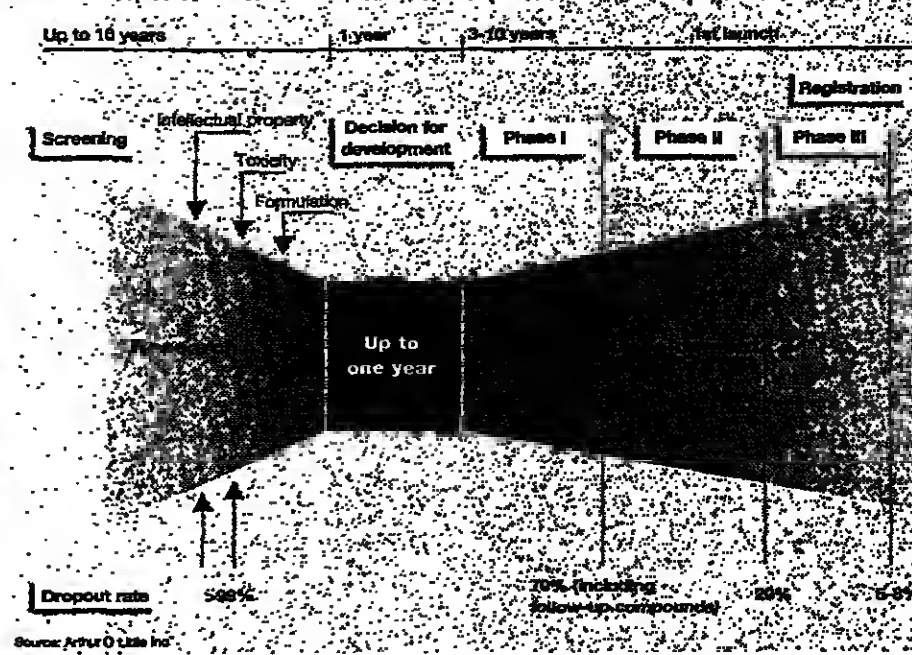
Therefore, the bulk of the economics workload is falling on companies which invent breakthrough drugs. These are the highest research-based companies, mostly US, UK and Swiss.

Glaxo of the UK, for example, already has 50 employees in the area. AngloUS company SmithKline Beecham has less than 10 but is recruiting rapidly.

Not surprisingly, such companies have sought to make the best use of the investment outside Australia as well as inside. The economists work is used in marketing where their efforts may help persuade governments and regulatory bodies to allow a high price to be charged - provided an economic benefit is felt elsewhere.

At Swiss company Sandoz, for example, health economics is part of the marketing operation. It began with studies that showed that transplanting kidneys was cheaper in the long

Pharmaceutical product development



term than dialysis. Sandoz makes Sandimmun, an immunosuppressant used in transplant operations to cut the chances of a new kidney being rejected.

Sales are growing rapidly, the drug is already in the world's top 20 sellers, and the company regards its pharma-

coeconomics programme as a success. Sandoz is extending its pharmacoeconomics programme to studies on skin disease. This could help sales of its fungal treatment Lamisil which had sales of about \$150m in 1992, but stockbroker James Capel forecasts that by 1995 it will be the com-

pany's second biggest product with sales of \$250m a year. Economists can also become involved at a much earlier stage of the drugs industry development chain. At Glaxo, for example, they advise research and development departments on the likely economic effects of proposed new

products. A decision can be made earlier over whether it is worthwhile to continue research on a product that may not find favour in an increasingly cost-conscious healthcare environment.

Not all the research comes from or favours the drugs industry. UK government funded research by independent academics on the costs of treating depression and blood cholesterol have not unconditionally pleased SmithKline Beecham, whose new anti-depressive Seroxat promises to be one of its biggest successes of the 1990s, and Merck, whose Mevacor and Zocor cholesterol lowering drugs have combined sales of about \$2bn a year.

The role of pharmacoeconomics in the drugs industry seems set to increase. This kind of work and the Australian experiment have attracted the attention of governments and other healthcare buyers around the world. Canada has already issued draft guidelines on how to do pharmacoeconomic studies of treatment regimes, and US healthcare organisations now demand to know the comparative costs of competing treatments.

Budget-conscious politicians and private sector healthcare buyers will find it hard to resist using such analyses when negotiating drug selling prices with the pharmaceuticals industry.

Power balance shifts slowly in biotechnology battleground

Continued from previous page:

tical companies in particular are keen to extract concessions in the form of increased rights to market any drug developed.

Mr Robert Spiegel, senior vice-president of clinical research of the US company, Schering-Plough, argues that the biotechnology companies want to keep too much in the way of marketing rights for drugs that are still in the early stages of research and development.

"We need to go for the innovative [in biotech companies] those products that are going to take care of needs that haven't been covered yet," he says.

"That's going to be a more risky investment. And we're being told: 'Don't expect that you can get the rewards. We expect you to make the invest-

ment but we'll decide how much you can get in return."

He warns that, as a consequence, "pharmaceutical companies like ours or any other big pharmaceutical company are going to be a lot more cautious in what type of investments [they make]."

Some large drug companies have already scaled back their involvement in biotechnology on the basis that the risks are simply too great.

"Why produce drugs through biotech, when you can make the compounds through classical chemistry?" asks Mr Pierre Simon, R&D director of Elf-Sanofi, the French drugs company.

"For the next few years, we will try to mimic the products of biotechnology through classical chemistry."

In private, few heads of large drug companies agree with Mr Simon. They say that

in practice, investing in biotechnology companies is more than just buying into a possible new drug.

"Biotech company employees have a dedication and enthusiasm as well as talent and the desire to work long hours that is hard to find in a large organisation," concedes

The small biotechnology companies have new ideas, expertise and energy - but not enough cash or marketing power. In contrast, the large cash-rich pharmaceuticals companies have powerful sales forces

one. And the arguments in favour of the promise of biotechnology R&D seem slowly to be gaining the upper hand.

Ten years ago, deals between biotech companies and their big drugs company partners usually saw the exchange of all marketing rights to biotech research pro-

grammes for capital and a promise of royalty payments should a drug be successful.

The formula was not popular among biotech companies for two reasons.

● Much of the "financial upside" of developing a popular medication is being able to benefit from profit margins in

manufacturing and sales. ● As a drug progresses through the sequence of clinical trials towards approval, its value increases sharply. Selling rights later, rather than sooner, can earn a lot more money for a small company.

Ms Jane Shaw, the chief operating officer of one of the

few biotechnology companies to have made it to consistent profitability, Alma of Palo Alto, California, says that times have changed.

It used to be hard to secure a deal for anything other than a royalty arrangement, she says, but today she can view "royalties [as] somewhat limiting. We can now take higher risks for higher rewards."

The compromise is for a biotech company to sell only limited marketing rights in return for the capital injection. Glaxo of the UK, for example, has a five per cent stake in Gilead Sciences of California. Gilead has a number of compounds in the late stages of development, but Glaxo has no rights to them.

"Glaxo is sharing co-promotion rights but only in code-blockers [which are still in the earliest stages of research]," says Mr Michael Riordan, chief

executive officer.

Biotech research and development is a battleground. One the one hand are the small biotechnology companies which have ideas, expertise and energy but not cash or marketing power.

On the other hand are the large cash-rich pharmaceuticals companies with huge sales forces, yet struggling to maintain morale in the face of healthcare reforms and job cuts.

The biotech companies want to give away as few of their ideas as possible in return for the greatest investment they can secure. The pharmaceutical companies want to secure as many rights - preferably global rights - in return for a large stake and limited cash commitment.

The balance of power is shifting only slowly, and the skirmishing goes on.



New biotech products: the result of high dedication and research talent

In Perfect Balance

According to the ancient Chinese philosophy of yin and yang, the universe is composed of opposing but interdependent forces. ■ Interestingly, this philosophy resembles the concept of homeostasis, the natural balance that occurs within living organisms, including the harmony between antagonists and agonists that regulate vital functions. Thus, an important factor in the search for new medicines is the development of compounds that work together with the body's own restorative and regenerative abilities. ■ To lead healthy lives, we must seek balance with nature, with society, and within ourselves. Through pharmaceutical research, we are striving to help people obtain this balance.



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INTERNATIONAL COMPANIES AND FINANCE

France allocates 10% of UAP to core shareholders

By Alice Rawsthorn in Paris

The French government plans within the next few days to launch a tender offer for *nosseurs durs*, or hard core shareholders, to invest in Union des Assurances de Paris (UAP), the insurance group that is due to be privatised later this year.

Mr Edmond Alphandery, economy minister, yesterday said that 10 per cent of UAP, which is France's biggest insurer, was to be allocated to long-term investors.

The announcement of the tender offer will mark the first step towards the sale of the government's 50 per cent stake in UAP.

The holding is valued at between FF25bn and FF35bn (\$4.2bn-\$5.7bn).

The appointment of *nosseurs*

durs, or long-term investors that are intended to forge strategic links with a company and to protect it against hostile takeover bids, is a standard part of the French privatisation process.

UAP is the largest *nosseur durs* in France, as the country's leading institutional investor with a warren of shareholdings across the corporate sector. Some of these companies are now expected to volunteer to become *nosseurs durs* in UAP.

However, Banque Nationale de Paris (BNP), the recently privatised French bank that has been UAP's main financial partner, will reduce its stake to 15 per cent from 19 per cent following the privatisation.

Suez, the French holding company, and Winterthur, the Swiss insurer with which UAP

has a cross-shareholding, will retain their existing investments.

Mr Alphandery yesterday confirmed that UAP would be allowed to raise capital as part of the privatisation. Mr Jacques Friedmann, UAP's chairman, has made no secret of his hopes of staging a capital increase to finance the group's international expansion. However, the size of the increase has not been decided.

The economy minister described UAP as "a business in sound financial shape". UAP on Monday announced an increase in net profits of 31.8 per cent to FF1.42bn in 1993 from FF1.08bn in 1992. The group, which reported peak profits of FF1.42bn in 1990, hopes to continue its recovery. See Observer

Prudential lifted by reinsurance subsidiary

By Alison Smith in London

Prudential Corporation, the UK financial services and life insurance company, reported pre-tax profits of £589m (\$886m) for 1993, a 45 per cent advance, helped by a sharply improved performance at Mercantile & General, its reinsurance subsidiary.

The final dividend rose to 8.7p, taking the total dividend to 13.2p per share, a rise of almost 11 per cent. Earnings per share increased 40 per cent to 21.0p compared with 15.0p. Shares closed the day 2p down at 332p.

Mr Mick Newmarch, chief executive, said Prudential did not need to make specific provision against potential compensation claims in respect of personal pensions sold to people opting for transferring out of occupational schemes. Last year it carried out some £350m of pension transfer business.

Profits from the life business rose to £481m, from £444m, with much of the increase coming from operations outside the UK. Profits from the UK rose 26m to £228m.

Jackson National Life, Prudential's US subsidiary, contributed profits of £122m, though this was not directly comparable with the 1992 figure of £86m, which included some £55m as a result of realised investment gains. See Page 16

Income ahead at Austrian railway group

By Ian Rodger in Vienna

VAE Eisenbahnsysteme, the Austrian maker of high-speed and heavy-duty railway switches, said net income jumped 18 per cent last year to Sch51.3m (\$6.5m), on sales up 21 per cent to Sch1.7bn.

The group said it expected turnover and profits to grow by at least 5 per cent this year.

VAE last year raised Sch300m in a rights issue which reduced the Austrian state's holding to 26 per cent.

ZF joins forces with carmakers

By Christopher Parkes in Frankfurt

Germany's biggest vehicle makers and a leading parts supplier are planning to join forces in an ambitious co-operative venture which could mark a breakthrough in the automotive industry's drive to cut costs.

The scheme provides for ZF, a transmissions and steering specialist, to pool its resources with Volkswagen and Mercedes-Benz in an operation which will supply both vehicle makers with jointly-developed steering gear.

According to ZF, which unveiled the plan yesterday, the project would reduce steering equipment costs. It would also be open to other automotive groups, the company said.

ZF has been nominated as the project's industrial leader.

and its division based at a newly-opened factory in Schwäbisch Gmünd has been designated as the manufacturing base.

If the venture is approved by the companies' boards and the cartel authorities, it could lead to Mercedes and Volkswagen buying in most or all of their steering gear, rather than making it themselves as at present.

All German vehicle makers are keenly examining possibilities for reducing costs by increased out-sourcing and greater use of common components, especially those parts under a vehicle's bodywork which do not directly affect a prospective buyer's judgement.

At the same time, the domestic components industry is under pressure from customers to cut costs, which has led to a wave of losses and intensive merger and co-operation talks.

ZF, which last year made an

undefined operating loss after tumbling German sales cut its global sales by DM400m to DM5.4bn (\$3.2bn), was recently refused permission by the cartel authorities to take over General Motors' subsidiary, Allison Transmissions.

Shortly after the refusal it announced plans to open a new factory in Alabama to supply front and rear axles for a new Mercedes factory in the state which is due to start production of cross-country vehicles in mid-1997.

Daimler-Benz is to pay DM424m to buy out the Bavarian government's 8.38 per cent holding in its aircraft and defence systems subsidiary, Deutsche Aerospace.

The price, announced yesterday, was "extraordinarily satisfying", said Mr Edmund Stolter, the Bavarian prime minister, who recently suggested he was looking

for DM300m to DM350m.

The deal marks a further stage in the state's privatisation programme, announced last year, and started earlier this month with the takeover of the Bayernwerk energy utility by Viag for a cash consideration of DM2.3bn plus a blocking minority stake in the enlarged Viag group.

The next move will be the disposal of a holding in the Rhine-Main-Danube canal management company, which will complete Bavaria's assets sale.

Mr Stolter stressed that privatisation of state and local government-owned savings banks was out of the question. Publicly-owned banks were important to help the financing of local small and medium-sized industries, which often entailed higher risks than those acceptable to private sector financial institutions, he said.

Czechs repurchase CSA stake

By Alice Rawsthorn

The Czech authorities yesterday ended months of negotiations by announcing that they had agreed terms for a deal to buy back Air France's minority stake in CSA, the Czech airline, for \$27m.

Air France, which two years ago paid \$30m for its 19.1 per cent holding, had initially resisted the Czech government's attempts to force it to sell the shares.

However, the Czechs persisted, anxious to exert greater control over the management of the airline, which fell into the red last year and is on course for further losses this year.

Air France will sell its entire CSA stake to Konsolidacni Banka, the state-controlled Czech banking group.

The negotiations were complicated by the role of the European Bank of Reconstruction and Development (EBRD), which acquired an identical 19.1 per cent holding in CSA at the same time as Air France. EBRD has already written off 30 per cent of this investment, but the remainder was guaranteed by the French group.

The bank has maintained control over the management of the airline, which fell into the red last year and is on course for further losses this year.

However, the Czechs persisted, anxious to exert greater control over the management of the airline, which fell into the red last year and is on course for further losses this year.

The Czechs have reached a compromise whereby Konsolidacni Banka will have a put option over the EBRD stake which is not exercisable until August 1997.

The EBRD board will meet tomorrow to endorse the agreement and the bank is then expected to sign a formal accord in Prague.

Air France said it could not comment on the sale until it was finalised. However, the Czech transport ministry yesterday said that the five Air France representatives on the CSA board had resigned on Monday. The Czechs now intend to wait for a year before bringing a new international investor into CSA.

Air France sells duty-free chain

By Alice Rawsthorn

Nice airport, is controlled by Servair, the catering subsidiary of Air France.

Servair owns 60 per cent of the shares and Aeroports de Paris, the airport operator, has the remaining 40 per cent.

The terms of Servair's sale have been agreed in principle and the deal is expected shortly to be concluded. However, the value of the transaction has not been disclosed.

Saresco last year made sales of FF1.33bn (\$459m), an increase over its FF1.01bn turnover in the previous year. However, its net profits were depressed by increased investment costs - due to the refurbishment of a number of units - and slipped to FF27.5m in 1993 from FF34.4m in 1992.

The acquisition of Saresco forms part of the expansion of Vaturi-Fernod Ricard-Elig.

Saresco last year made sales of FF1.33bn (\$459m), an increase over its FF1.01bn turnover in the previous year. However, its net profits were depressed by increased investment costs - due to the refurbishment of a number of units - and slipped to FF27.5m in 1993 from FF34.4m in 1992.

The acquisition of Saresco forms part of the expansion of Vaturi-Fernod Ricard-Elig.

Income ahead at Austrian railway group

By Ian Rodger in Vienna

VAE Eisenbahnsysteme, the Austrian maker of high-speed and heavy-duty railway switches, said net income jumped 18 per cent last year to Sch51.3m (\$6.5m), on sales up 21 per cent to Sch1.7bn.

The group said it expected turnover and profits to grow by at least 5 per cent this year.

VAE last year raised Sch300m in a rights issue which reduced the Austrian state's holding to 26 per cent.

Georg Fischer stays in the red as sales fall

By Ian Rodger

Georg Fischer, the Swiss foundries and diversified engineering group, has reported a 1993 loss of SF34m (\$24.3m), in line with a forecast made last September, compared with a depressed profit of SF11m in 1992.

The directors are recommending that the dividend be passed for the second consecutive year, but they indicated that the group should make a modest profit this year.

Fischer, which is heavily dependent on the motor industry, said its sales fell 15 per cent to SF2.02bn, mostly because of divestments.

machines to public transport.

The Visa move comes three months after National Westminster Bank established a joint venture with Midland Bank and British Telecom to launch an electronic smart card, called Mondex, in the UK.

Joining forces with Visa are NationsBank, Wachovia and Electronic Payment Services,

all of the US; the Financial Information Systems Centre, which is based in Taiwan; Groupement des Cartes Bancaires de Paris; Bankys in Belgium; Sociedad Espanola de Medios de Pago in Spain; and Portugal's Sociedade Interbancaria de Servicos.

A limited number of other companies which had invested in developing similar systems

would be invited to join, Visa said.

NetWest is trying to recruit partners in up to 30 countries to establish Mondex internationally. NetWest said: "Development of common standards will benefit the whole industry and the consumer. We believe that both Mondex and Visa can make significant contributions in this area."

GEA capital increase aims to raise DM370m

By Quentin Peel in Bonn

GEA, the Ruhr-based German energy, environmental and process technology group, yesterday revealed details of its planned capital increase, intended to raise some DM370m (\$218m) in extra finance for the rapidly expanding enterprise.

The share issue will increase the company's basic capital stock of DM150m by a nominal DM40m, or more than 26 per cent, with the issue of 400,000 new voting shares, and the same number of preference shares.

The shares will be offered to shareholders at a ratio of 4:1,

and be managed by Commerzbank and CS First Boston.

The company, based in Bochum, was family-owned until it went public with a DM775m share issue in 1989. It made its name in thermal and energy technology, expanding into air treatment and refrigeration, with the acquisition in 1992 of the Dutch group Grasso, and food and process engineering, with the purchase last year of Niro, in Denmark.

Mr Volker Hantemann, the chief executive, said that at least one purchase was planned in 1994.

"We are working on a number of projects both inside and outside Germany," he said.



Highlights 1993

Mandarin Oriental

Profit Maintained

- Profit after taxation US\$40.9 m
- Earnings per share US\$6.00
- Dividends US\$6.00
- Four additional hotels to be managed
- Shareholders' funds up 29% to US\$835.7 million

"The Company's two hotels in Hong Kong should benefit from stronger demand in 1994. While the immediate outlook is mixed in the Group's other markets, the groundwork has been laid for future growth and the prospects for the Group remain encouraging."

Simon Keswick, Chairman
22nd March 1994

1993 RESULTS

	Year ended 31st December	1993	1992
	US\$m	US\$m	US\$m
Turnover	158.8	146.4	
Operating profit	41.2	37.8	
Share of profits of associates	9.5	12.4	
Profit before interest and taxation	50.7	50.2	
Net interest expense	(2.7)	(2.1)	
Profit before taxation	48.0	48.1	
Taxation			
- Company and subsidiaries	(4.8)	(5.0)	
- associates	(2.3)	(2.7)	
Profit after taxation	40.9	40.4	
Minority interests	(0.1)	(0.1)	
Profit attributable to Shareholders	40.8	40.3	
Dividends	(34.0)	(34.0)	
Retained profit for the year	6.8	6.3	
Shareholders' funds	835.7	649.3	
Earnings per share	6.00	5.94	
Dividends per share	5.00	5.00	

Mandarin Oriental International Limited
Incorporated in Bermuda with limited liability



A member of the Jardine Matheson Group

The final dividend of US\$3.50 per ordinary share will be payable on 9th June 1994, subject to approval at the Annual General Meeting to be held on 1st June 1994. Shareholders on the register of members at the close of business on 8th April 1994, and will be payable in cash with a scrip alternative. The share registers will be closed from 11th to 15th April 1994 inclusive. The dividend will be payable in United States Dollars, Hong Kong Dollars and Sterling. Shareholders on the Jersey branch register will receive United States Dollars while Shareholders on the Hong Kong branch register will receive Hong Kong Dollars, unless they elect for one of the alternative currencies by notifying the Company's registrars or transfer agents by 23rd May 1994. Shareholders whose shares are held through the Central Depository System in Singapore ("CDP") will receive Hong Kong Dollars, unless they elect through CDP to receive United States Dollars.

The Hotel, Hong Kong • Mandarin Oriental, Hong Kong • Mandarin Oriental, Jakarta • Mandarin Oriental, Macao • Mandarin Oriental, Manila • Mandarin Oriental, San Francisco • The Oriental, Singapore • Raffles Hotel, Singapore • Raffles Hotel, Kuala Lumpur • Raffles Hotel, Bangkok • Raffles Hotel, Hong Kong

LVMH
MOËT HENNESSY, LOUIS VUITTON

A FRENCH "SOCIÉTÉ ANONYME"
SHARE CAPITAL OF F. 799,845,000 FRENCH FRANCS
REGISTERED OFFICE: 30 AVENUE HOCHET - 75008 PARIS (FRANCE)
REGISTERED WITH THE REGISTRY OF COMMERCE
ET DES SOCIÉTÉS
UNDER REFERENCE PARIS 8 775 670 417

FRF 1,505,000,000, 9.70%
1992 Titres Subordonnés à Durée Indéterminée -
Notice to Bondholders

The Board of Directors of LVMH MOËT HENNESSY LOUIS VUITTON hereby notify holders of 9,707,979 Titres Subordonnés à Durée Indéterminée of the company that a General Meeting of bondholders will be held on April 11, 1994 at 9:30 a.m. at the company's registered office to consider the following agenda:

- approval of the contemplated merger with Jacques Reber S.A.;
- granting of powers to third parties to carry out the necessary legal formalities;
- determination of the place where the powers of attorney of the represented bondholders and the minutes of the meeting, as well as the attendance list, will be deposited.

No action may validly be taken by the General Meeting unless holders holding at least one quarter of the bonds then outstanding are present or represented at the meeting.

The resolutions and report to be submitted at the meeting are available for examination at the registered office of the company.

Board of Directors

LVMH
MOËT HENNESSY, LOUIS VUITTON

A FRENCH "SOCIÉTÉ ANONYME"
SHARE CAPITAL OF F. 799,845,000 FRENCH FRANCS
REGISTERED OFFICE: 30 AVENUE HOCHET - 75008 PARIS (FRANCE)
REGISTERED WITH THE REGISTRY OF COMMERCE
ET DES SOCIÉTÉS
UNDER REFERENCE PARIS 8 775 670 417

FRF 1,505,000,000,
1990 Titres Subordonnés à Durée Indéterminée -
Notice to Bondholders

The Board of Directors of LVMH MOËT HENNESSY LOUIS VUITTON hereby notify holders of 19,907,979 Titres Subordonnés à Durée Indéterminée of the company that a General Meeting of bondholders will be held on April 11, 1994 at 10:00 a.m. at the company's registered office to consider the following agenda:

- approval of the contemplated merger with Jacques Reber S.A.;
- granting of powers to third parties to carry out the necessary legal formalities;
- determination of the place where the powers of attorney of the represented bondholders and the minutes of the meeting, as well as the attendance list, will be deposited.

No action may validly be taken by the General Meeting unless holders holding at least one quarter of the bonds then outstanding are present or represented at the meeting.

The resolutions and report to be submitted at the meeting are available for examination at the registered office of the company.

Board of Directors

SOCIÉTÉ GÉNÉRALE

USD 200,000,000

FLOATING RATE

NOTES

DUE 1996

For the period

March 22, 1994 to

September 22, 1994 the

new rate has been fixed

at 4.03125 % p.a.

Next payment:

September 22, 1994

Coupon rate: 16

Amount:

USD 200,000,000

for the denomination

of USD 100,000

USD 200,000,000

for the denomination

of USD 100,000

THE PRINCIPAL PAYING

AGENT SOGENAL

SOCIÉTÉ GÉNÉRALE GROUP

15, Avenue Emile Reuter

LUXEMBOURG

CREDIT LYONNAIS

USD 500,000,000

Undated FRN

Bondholders are hereby

informed that the rate for

the coupon N°11 has been

fixed at 4.875 %

for the period

from 22nd March 1994 to

20th June 1994.

This period has 90 days and

the Coupon has a price of

USD 121.88 and shall

be payable as from

20th June 1994.

The Principal and

Paying Agent

CREDIT LYONNAIS

71, rue de la Harpe

75002 Paris

France

MINORCO

NOTICE TO HOLDERS OF BEARER

SHARE CERTIFICATES

PAYMENT OF COUPON No. 13

With reference to the notice of interim dividend advertised in

the press on March 18, 1994 the following information is published

for the guidance of holders of bearer share certificates.

The dividend of 19 cents was declared in United States

currency. The dividend will be paid on or after May 4, 1994,

against surrender of Coupon No. 13 detached from bearer share

certificates as follows:

(a) at the offices of the Corporation's Continental paying agents:

Banque Générale du Luxembourg 34, rue des Mathurins

14, rue Alfrede 75008 Paris

Luxembourg Grand Duchy of Luxembourg France

(b) at the London Securities Department of Barclays Bank plc.

Stock Exchange Services Dept., 168 Fenchurch Street,

London EC3P 3HP. Unless persons depositing coupons at

such office request payment in United States dollars (in which

case they must comply with any applicable Exchange Control

regulations), payment will be made in United Kingdom

currency either:

(i) in respect of coupons lodged on or prior to April 27, 1994,

at the United Kingdom currency value of the dividend on

April 12, 1994; or

(ii) in respect of coupons lodged on or after April 28, 1994,

at the prevailing rate of exchange on the day the coupons

are remitted to the London Securities Department of

Barclays Bank plc.

Coupons must be left for at least four clear days for exami-

nation (eight days if payment in United States currency has been

requested) and may be presented any weekday (Saturday

excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments

to any person in the United Kingdom in respect of coupons

deposited at the London Securities Department of Barclays Bank

plc, unless such coupons are accompanied by Inland Revenue

non-residence declaration forms. Where such deduction is made

the net amount of the dividend, after deduct

NAVISTAR FINANCIAL
\$335,002,547.77
Navistar Financial 1993-A Owner Trust
\$127,300,000.00
3.475% Class A-1 Asset Backed Notes
\$195,976,000.00
4.475% Class A-2 Asset Backed Notes
\$11,726,547.77
4.80% Asset Backed Certificates
Chemical Securities Inc.

Banco Mexicano
US\$ 350,000,000
Global Medium-Term Note Program

UNIBANCO
Unibanco - União de Bancos Brasileiros S.A.
Unibanco - União de Bancos Brasileiros S.A.
Unibanco - União de Bancos Brasileiros S.A.
US\$ 350,000,000
Global Medium-Term Note Programme

BANCO DO BRASIL
US\$ 200,000,000
9% Bonds Due 1998

Banco de la Nación Argentina
US\$ 150,000,000
9% Notes Due 1996

Bikuben
Spærkassen Bikuben A/S
US\$ 150,000,000
Subordinated Floating Rate Notes Due 2000

GLOBAL UNDERWRITING EXPERTISE (AND THE LEAD MANAGER ROLES TO PROVE IT)

Gas Argentino S.A.
US\$ 130,000,000
7.25% Participating Notes Due 1997-1998

Gas Argentino S.A.
US\$ 120,000,000
Floating Rate Notes Due 1996

Corporación Andina De Fomento
US\$ 100,000,000
7.25% Notes Due 1998

GOTA BANK
US\$ 100,000,000
Subordinated Floating Rate Notes Due 2001

GOTA BANK
US\$ 100,000,000
Floating Rate Notes Due 1996

KANSALIS-OSAKE-PANKKI
US\$ 100,000,000
Floating Rate Notes Due 1996

RTVE
Ente Público Radiotelevisión Española, Spain
¥10,000,000,000
10-Year Syndicated Loan Private Placement

\$81,480,660.54
Government Export Trust (Series 1993-1)
5.00% Certificates Due March 15, 2005

Bayou Steel Corporation
\$75,000,000
10% First Mortgage Notes Due 2001

BANCO MEXICANO DE CREDITO Y CAJAS DE PENSIONES
US\$ 50,000,000
9% Notes Due 1995

BANK BNI
PT. Bank Negeri Indonesia (Persero)
Indonesian Rupiah
100,000,000,000
Fixed Rate Negotiable Certificates of Deposit Issuance Program

Waterford
Waterford Foods Investment Limited
STG 30,000,000
Notes Due 2004

FIN
Finance for Danish Industry A/S
DKR 300,000,000
0.625% Bonds Due 1998

The Mortgage Bank of Denmark and Financial Administration Agency of the Kingdom of Denmark
DKR 300,000,000
0.625% Bonds Due 1998

Ykkösrahoitus AB
US\$ 35,000,000
Subordinated Floating Rate Notes Due 2003

KANSALIS-OSAKE-PANKKI
US\$ 30,000,000
Privately Placed Floating Rate Notes Due 1996

US\$ 29,000,000
Subordinated Floating Rate Notes Due 2001

NORD/LB
Norddeutsche Landesbank Girozentrale
¥3,000,000,000
10-Year Reverse Floating Rate Private Placement

SONY
Sony Euro-Finance B.V.
US\$ 25,000,000
14% 1-Year Currency Option Linked Euro MTN

BANCO BMG
US\$ 20,000,000
10.25% Notes Due 1995

THE SIAM COMMERCIAL BANK PLC
Thai Baht 250,000,000
Fixed Rate Negotiable Certificates of Deposit Due 1994

McDonald's Restaurants (Hong Kong) Limited
Hong Kong \$50,000,000
Fixed Rate Notes Due 2006

Chemical Banking Corporation's underwriting expertise is truly global, as the above transactions, which we lead-managed, indicate. We are established leaders, through our subsidiaries Chemical Investment Bank Limited, and Chemical Securities Asia Limited,

in the international debt markets. Added to this, through our subsidiary Chemical Securities Inc., we can now underwrite and deal in all types of debt securities in the United States, including corporate bonds.

Our global network can find and

access the most cost-efficient capital sources, wherever they might be. Whatever your financial needs, ask Chemical to help. We're a financial partner with many strengths, including global debt underwriting expertise.



EXPECT MORE FROM US.SM

Programmed for the Microsoft challenge

Novell's expansion has pitted it directly against the market leader, writes Louise Kehoe

The balance of power in the computer software industry has shifted unexpectedly towards the state of Utah, home of Novell, the leading supplier of software for personal computer networks.

Novell announced late on Monday that it planned to acquire WordPerfect, a Utah neighbour, for \$1.4bn in stock. At the same time, Novell has purchased the rights to a popular spreadsheet program called Quattro Pro from Borland International for \$145m in cash.

Novell shares were down in heavy trading yesterday morning, at 20% from \$23 at Monday's close.

The moves give Novell an instant stake in the market for application programs, with WordPerfect's word processors and Borland's spreadsheet.

They also transform Novell into a software powerhouse with annual revenues of close to \$2bn, second only to Microsoft, the world's largest software company with revenues last year of \$3.75bn.

For the first time, Microsoft will face competition from a company with the size and breadth of products to challenge its own market dominance.

Novell seems to relish the opportunity for a market battle. There is no love lost between Novell and "the boys from Seattle", as Mr Raymond Noorda, Novell chief executive, calls Microsoft's youthful executives.

Mr Bill Gates, Microsoft chairman, has charged that Novell "has a vendetta against

us", and Mr Noorda has accused Microsoft of anti-competitive business practices.

Microsoft is being investigated by the US Justice Department, and Novell has played an active role in providing information to the anti-trust investigators. Novell has also filed an anti-trust complaint against Microsoft in Europe.

However, Mr Noorda carefully avoided any comment on Microsoft yesterday, and analysts said his plans to expand Novell may shift attention away from Microsoft's market dominance.

Until now, Novell has competed with Microsoft only in the area of operating systems, the software that controls the basic functions of a computer or network of computers.

Novell's Network is the leading network operating system. Last year, Novell also acquired Unix, a computer operating system widely used in "open systems" computing. Novell faces increasing competition, however, from Microsoft's recently-introduced Windows NT, an operating system for networked computer systems.

With its acquisition of WordPerfect and purchase of Borland's spreadsheet, Novell will now go head to head with Microsoft in the booming market for office software "suits", or bundles of business software applications, including word processing, spreadsheets and database management.

Novell also plans to leverage its leadership in networking software to create a class of



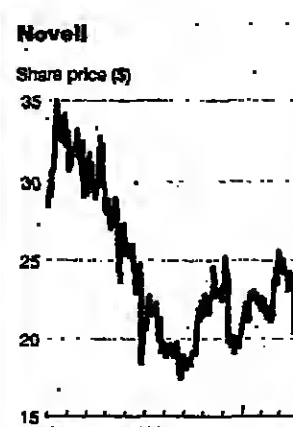
Raymond Noorda: relishes battle with 'boys from Seattle'

applications products called "groupware", aimed at teams of workers.

Such software would include messaging, task management, document management and workflow tools, Novell said. In this market segment, Novell will compete with Microsoft and Lotus Development, the third-largest personal computer software company.

"The era of stand-alone personal computing is evolving into group collaboration that connects individuals, groups and companies," said Mr Noorda. "Novell's objective is to accelerate this market transition."

Yet Novell's expansionary moves also reflect tough times in the software industry, as smaller companies find it increasingly difficult to compete with "mighty Microsoft", with its broad distribution and marketing clout, and to keep pace with a price war.



Novell Share price (\$)

WordPerfect and Borland have both lost market share over the past year, according to market analysts. WordPerfect has recently laid off more than 1,000 employees, or 17 per cent of its workforce. Borland has faced cashflow problems as it slashed prices in an attempt to gain market share. Borland said on Monday it would restructure its operations, following the sale to Novell of its leading product. Large staff cuts are expected.

Novell's extensive distribution network with 25,000 resellers worldwide, could breathe new life into WordPerfect and Borland's spreadsheet business, industry analysts say.

Novell faces the challenge, however, of integrating the new businesses into its established operations. "Mergers are difficult in any industry, but more so in software because you have to combine different

code bases, as well as different cultures," said Mr Peter Higgins, Microsoft vice-president.

However, Novell is not new to these challenges. Over the past 10 years the company has acquired no fewer than 15 software companies, although none the size of WordPerfect.

And Mr Noorda says long-standing friendships between executives of the two companies, whose offices are just a few miles apart, will help to make the combination "a natural merger".

A more pressing problem for Novell is who will replace Mr Noorda, who at 59 is about to retire. "We are on track to find my successor by mid-June," said Mr Noorda, who has been talking to several industry executives outside the company.

Thus, although Mr Noorda may have realised his dream of creating a new "software powerhouse", the newly-expanded Novell faces significant uncertainties. It also remains to be seen how Lotus Development will react to Novell's expansion plans.

Four years ago, Lotus and Novell aborted a planned merger after the two companies failed to agree on who should head the merged business. Mr Noorda says he recently rejected an attempt by Lotus to resurrect talks.

Novell's acquisitions do, however, confirm a broad trend in the software industry toward consolidation. Last week, Aldus and Adobe Systems, two leaders in desktop publishing software, also announced plans to merge.

Borland shaken by revamp and resignation

By Patrick Harverson in New York

Borland International, the US personal computer software company which is selling its spreadsheet product Quattro Pro to Novell for \$145m, said it would report significantly lower revenue and a "substantial" operating loss in the quarter ending March 31. It

also announced the resignation of its finance chief.

Borland said it would incur a charge in the next quarter, to cover the corporate restructuring that followed the Quattro Pro sale and its poor recent earnings performance.

It said it had not yet determined the extent of the charge.

low last week's appointment of Mr Keith Maib as Borland's first chief operating officer. Mr Maib, a former partner at the accounting firm Price Waterhouse spent the weeks before his appointment examining in detail Borland's business. He is now running the day-to-day management of the company.

The arrival of Mr Maib followed a period of turmoil

among the company's senior management.

The resignation of Mr Alan Henricks, who stepped down as chief financial officer, "to pursue other interests", was the latest in a line of recent departures by senior executives. Last Wednesday, the head of the company's product division resigned.

The sale of Quattro Pro, the

arrival of Mr Maib, and the planned restructuring are all part of an attempt by Mr Philip Kahn, Borland's chief executive, to ensure the company survives a price war in the increasingly competitive software market.

Borland incurred a loss of \$40m in its 1993 fiscal year, and in the latest quarter reported only modest profits.

Tenneco names new Case head

By Laurie Morse in Chicago

Tenneco, the diversified US industrial company, has named a veteran of Honeywell's European restructuring programme to head J.I. Case, Tenneco's largest division.

Mr Jean-Pierre Rosso, 53, from Vichy, France, will succeed Mr Edward Campbell as Case's president. Mr Campbell will retire on March 31.

Mr Rosso's appointment is seen as a sign that Case is about to proceed with an extensive rationalisation of its European operations, where its construction and agricultural equipment lines have been battered by competition and shrinking markets.

Case has just completed the first year of a three-year, \$820m restructuring programme designed to rescue it from losses of \$1bn in 1992. To date, the bulk of Case's rationalisations and plant closings have been in North America.

Announcing the appointment, Mr Dana Mead, Tenneco's president, said "a substantial amount of restructuring steps remain across all of Case's worldwide operations".

Compaq Computer to open plant in Brazil

Compaq Computer of the US is to build a \$15m assembly plant in Brazil. It should become operational by September, Reuters reports from São Paulo.

"Brazil will play a key role in our growth in Latin America," said Mr Eckhard Pfeiffer, Compaq president and chief executive officer.

He said the plant, which will be located on the outskirts of São Paulo, will serve the Latin American and Caribbean region outside Mexico.

It will begin by producing

desktop models and eventually assemble the full line of Compaq products.

Mr Pfeiffer described the planned Brazilian plant as one of "high volume manufacturing capacity" that would eventually employ around 400 people.

He would not comment on production numbers, except to say that it would be in the "hundreds of thousands of units".

A regional plant should represent substantial production

and operational cost-savings, which would be passed on to the consumer, he said.

He said the plant was the result of a policy of installing manufacturing operations "at the heart of our markets".

Compaq has three manufacturing plants - in Texas, Singapore and Scotland - and recently announced plans to open a fourth, in China.

Mr Pfeiffer said although the Brazilian plant was due to begin manufacturing by September, the location had not

been finalised. The company was looking for an existing building.

He said computer peripherals would be provided by traditional suppliers, but added that the company would look into the possibility of buying equipment from Brazilian manufacturers.

Mr Manuel Parra, vice-president for Latin America and the Caribbean, said Compaq held around 12 per cent of the 400,000-unit Brazilian personal computer market.

Battle for Hyundai site

By Robert Gibbens in Montreal

Canada's federal government and the state of Quebec are trying to find ways to re-open the Hyundai car assembly plant near Montreal.

The South Korean group's \$240m (US\$394.1m) plant was closed temporarily last summer because of poor sales of the Sonata car. It was to be re-tooled for assembly, from mid-1993, of the 1994 Elantra for the North American and European markets.

Hyundai, however, maintains it can only build the Elantra economically in Korea. A weak Canadian dollar has

driven up the cost of parts purchased in US dollars, and the North American Free Trade Agreement has raised duties on all imported parts.

Hyundai said the Bromont plant would stay shut indefinitely. An Ontario wheel plant, meanwhile, will be shut down completely and sold.

In Quebec, Mr Paul Martin, federal finance minister, said he had raised the Bromont closure with the Korean government. "We're actively seeking alternative uses," he said.

The Quebec government hinted it might be willing to help if Hyundai agreed to re-open the plant.

Linde acquires gasworks

By Nicholas Denton in Budapest

Linde, the German engineering concern, yesterday announced the acquisition of a Hungarian facility producing industrial gases.

The German group is to take over the air separation and oxygen production works in Dunajvaros in central Hungary, previously operated by Dunaferr, the state-owned steel producer.

Although the purchase price was not disclosed, Linde said the acquisition and other developments planned for 1994 would take their total invest-

ment to DM125m (\$73.5m) for Hungary and DM400m for the central-east European region as a whole.

Linde outbid Messer Griesheim, the subsidiary of German chemical group Hoechst, to win the Dunaferr assets. The deal leaves the Hungarian industrial gases market divided primarily between the two German groups.

Mr Gunnar Eggendorfer, Linde board member, said demand for industrial gases was expected to grow faster than the economy as a whole. He said Linde hoped to extend the use of the products made at the facility.

INVITATION FOR THE HIGHEST BID FOR THE PURCHASE OF THE GROUPS OF ASSETS OF MINAIDIS-FOTIADIS WOOL INDUSTRY S.A., OF ATHENS, GREECE

ETHNIKI KEPHALOS S.A., Administration of Assets and Liabilities of 1 Skoufouliou Str., Athens, Greece, in its capacity as Liquidator of MINAIDIS FOTIADIS WOOL INDUSTRY S.A., a company with its registered office in Athens, Greece, (the Company), presently under special liquidation according to the provisions of Section 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991,

announces a call for tenders

for the purchase of any or all of the groups of assets mentioned below.

BRIEF INFORMATION

The Company was established in 1943 and was in operation until 1988, when it was declared bankrupt. On 21-5-1989, it was placed under special liquidation according to article 7 of Law 1386/83 and on 15-2-1994 under special liquidation according to the provisions of section 46a of Law 1892/90, as supplemented by article 14 of Law 2000/91. Its activities included the manufacturing, selling and export of wool and blended fabrics.

GROUPS OF ASSETS OFFERED FOR SALE

1. A spinning and weaving mill in the Athens area (surrounded by takonitron St. N. Ioanna Avenue S. Vassilanton St. D. Rafi), consisting of several buildings, covering an area of 10,438 sq. m., standing on a plot of approximately 6,100 sq. m. and containing machinery, mechanical equipment and a limited amount of stock in trade. The company's registered name is also being offered for sale, although as well as other assets, excluding such claims as have been assigned to third parties.
2. A plot of land of approximately 617 sq. m. located beyond the city planning area, in the region of Koutoukio on the island of Salamina.
3. A plot of land of approximately 705 sq. m., located in the same area as the previous one.
4. A plot of land of approximately 457 sq. m., located beyond the city area, in the region of Aliko on the island of Salamina.

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain the Offering Memorandum in respect of the Company and its assets thereof upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auctions shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of a binding offer shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon submission and that the offeror shall give a personal guarantee in favour of such third party.
2. **Binding Offer:** Interested parties are hereby invited to submit binding offers, not later than 14th April 1994, at 11.00 am hours, to the Athens Notary Public Mrs Ioanna Gavrieli-Anagnostaki, at the following address: 18, Fidiou Str., Athens, Tel: +30-1-361.97.28, Fax: +30-1-362.51.91. Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate if any). In the event of not specifying a) the way of payment, b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate in force (presently 32% yearly). Binding offers submitted later than the above date shall neither be accepted nor considered. The offeror shall be binding until the adjudication.
3. **Letters of Guarantee:** Binding offers must be accompanied by a Letter of Guarantee, issued, in accordance with the draft Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letters of Guarantee must be as follows: (a) for the cotton spinning and weaving mill in Athens area (1st Auction): Drs. 80,000,000. - (EIGHTY MILLION), (b) for the plot of land in Koutoukio (2nd Auction): Drs. 500,000. - (FIVE HUNDRED THOUSAND), (c) for the plot in the same Region (3rd Auction): Drs. 500,000. - (FIVE HUNDRED THOUSAND). Letters of Guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
4. **Submissions:** Binding offers together with the Letter of Guarantee shall be submitted in sealed envelopes. Submissions shall be made to person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be opened (successively as mentioned above, ie 1st Auction, 2nd Auction etc.) by the above mentioned Notary Public in her office, on 14th April 1994, at 14.00 hours p.m. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged, by over 51% of the Company's creditors (the "Creditors"), to their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other approved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to reject or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail.

To obtain the Offering Memorandum and any further information, please apply to the Liquidator's attorney in Athens, Mr Nikolaos Panayiotidis at 3, Voulkourisou Str., 10654 Athens, Tel: +30-1-322.18.69 and +30-1-325.41.40, Fax: +30-1-325.41.40.

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Member of IMRO and SFA

March 1994

Peugeot Finance International NV

FF 500,000,000
Zero Coupon Bonds due 1996

NOTICE IS HEREBY GIVEN that in accordance with Condition 51e1 of the terms and conditions of the Bonds, the Issuer will on the 12th April 1994 deliver to each Bondholder one Warrant per FF 10,000 principal amount of Bonds.

The Bond/Warrant Account Notice must be surrendered together with the Bond/Warrant Account Notice to the Fiscal Agent not later than 10.00 am (London time) on the fifth business day in London, Paris and Luxembourg prior to the fifth business day in Luxembourg. Failure to properly surrender the Bond/Warrant Account Notice will result in the Bond/Warrant Account Notice being treated as void.

As a Condition to such delivery by the Issuer the Bondholder shall open an account with either Euroclear or Cedeil or (in the case of Bondholders intending to hold Warrants through a Cedeil Interprofessionnelle pour la Compensation des Valeurs Mobilières ("Cicovam")) with an intermediary (intermediate) (a French bank or broker authorised to maintain securities accounts on behalf of its clients) as required by Condition 51j(i)(ii). Bondholders must elect to receive any Warrants to be delivered to them pursuant to Condition 51c) through an account to be held in the same clearing system through which such Bondholder holds its Bonds.

The Bond/Warrant Account Notice is obtainable from any of the Paying Agents listed below:-

Fiscal Agent
Bankers Trust Company
1 Appoll Street
Rosedale
London EC2A 2JE

Paying Agents
Bankers Trust Luxembourg S.A.
14 Boulevard F.D. Roosevelt
L-2490 Luxembourg

Credit Suisse
Paradeplatz 8
8001 Zurich

Bankers Trust Company, London 23rd March, 1994

GENCOR LIMITED

(Incorporated in the Republic of South Africa)
Company Registration No 000123278
(Formerly General Mining Union Corporation Limited)

PAYMENT OF COUPON NO 145
Dividend No 136

HOLDERS OF SHARE WARRANTS TO BEAKER will receive payment on or after 30 March 1994 at the rate of 0.97161p the amount declared per share, less Q14574g being South African non-resident shareholders' tax of 15% against surrender of Coupon No 145.

Coupons must be deposited FOUR CLEAR DAYS for inspection before payment will be made:

In London At the office of the London Secretaries of the Company
30 Ely Place, London EC1N 6UA

In Paris At Credit Suisse, Zurich; Union Bank of Switzerland, Zurich;

In Switzerland At Credit Suisse, Zurich; Union Bank of Switzerland, Zurich;

Swiss Bank Corporation, Basel; or at any of their branches.

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:

Amount of dividend after deduction of South African non-resident shareholders' tax of 15% 0.82387

Less United Kingdom Income Tax at 5% on the Gross 0.04858

Amount of the dividend of 0.97161p 0.77729

Listing forms can be obtained from the office of the London Secretaries.

per pro GENCOR (U.K.) LIMITED

London Secretaries
11 Ely Place
30 Ely Place
London EC1N 6UA

23 March 1994

NOTE:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 5% instead of 20% represents an allowance of credit at the rate of 15% in respect of South African non-resident shareholders.

The gross amount of the dividend received will be returned by the individual shareholders on any return for Income Tax purposes to 0.97161p (subject to the number of shares held).

Marine Midland Bank N.A.

U.S. \$125,000,000
Floating Rate Subordinated Capital Notes due 1996

For the three months 23d March, 1994 to 23d June, 1994 the Notes will carry an interest rate of 5.25% per annum with a coupon amount of U.S. \$14.17 per U.S. \$10,000 Note and U.S. \$670.83 per U.S. \$50,000 Note. The relevant interest payment date will be 23d June, 1994.

Listed on the London Stock Exchange

Bankers Trust Company, London Agents Bank

FRANC MORTGAGE NOTES PLC

£240,000,000

Class A

and

£7,000,000

Class B

Mortgage Backed Floating Rate Notes due September 2000

Notice is hereby given that for the Interest Period from March 21, 1994 to June 20, 1994, the Class A Notes and Class B Notes will carry interest rates of 5.25% and 6.5% respectively. The interest payable on the relevant Floating Rate Notes will be £1,329.01 per £100,000 nominal amount, and for the Class B Notes will be £1,558.22 per £100,000 nominal amount.

By: The Citibank National Bank, N.A., London, Agent Bank

March 23, 1994

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INTERNATIONAL COMPANIES AND FINANCE

Jardine Fleming cements position with \$202m net

By Simon Holberton in Hong Kong

Jardine Fleming yesterday cemented its position at the top of Hong Kong's merchant banking league, posting a 166 per cent rise in 1993 net earnings to US\$202m from \$70m in 1992.

The company - a joint venture brokerage between Jardine Matheson and UK merchant bank Robert Fleming - is strongest in investment management, broking and corporate finance.

Commenting on his company's results, Mr Alan Smith, executive chairman, said: "What I think these results show is this is Asia and this is where you should be."

Mr Smith said that for the past decade Jardine Fleming had made an average 60 per

cent annual return on shareholders' funds. In 1993, the return was 91 per cent on funds of \$303m.

Last year funds under management more than doubled to \$2.3bn on the back of strongly rising share prices in most Asian markets.

Inflows were particularly strong in Hong Kong, where sales of unit trust products reached \$3.7bn. A flood of applications at the beginning of this year forced the company to place a temporary halt on new subscriptions.

The company said that it achieved a higher share of agency broking business last year and was active in introducing new products, particularly derivatives and Euro-instruments. It claimed it held first position in the trading of "B" shares in Shanghai.

Worldwide accounting standard moves closer

By Andrew Jack

International accounting standards-setters are to work with their US counterparts to develop the reporting of earnings per share.

The US plans to move away from its current disclosure of primary earnings per share towards the international emphasis on the disclosure of basic earnings.

The International Accounting Standards Committee (IASC) said it expects to issue an exposure draft standard later this year, which would lead to a final standard in 1995.

The US Financial Accounting Standards Board plans a similar timetable.

The move represents a shift towards greater co-operation as standards-setters attempt to harmonise financial reporting around the world.

It comes when the IASC is pressing for whole scale ratification of its standards by Iosco, the International Organisation of Securities Commissions, which could lead to companies using IASC standards gaining quotations in stock exchanges.

A number of the national accounting standards-setting bodies, including those in the UK, Canada, US and Australia, are beginning to develop projects jointly.

Italian bank plans capital increase

Cassa di Risparmio delle Provincie Lombarde (Cariplo), Italy's largest savings bank, plans a capital increase and part floatation, Renter reports from Rome.

Mr Sandro Molinari, director general, said the floatation would be aimed at institutional investors, clients and bank employees.

"By the end of 1994, Cariplo will be on the bourse with a capital increase that will be close to 20 per cent and worth not much less than L.9,000m (\$1.19bn)," Mr Molinari said.

Star TV changes tack to attract Asia's middle class

By Simon Holberton

Star TV, News Corporation's Asian satellite television arm, is to change its business strategy radically in an attempt to broaden its appeal to Asian viewers.

Mr Gary Davey, chief executive, said Star would change from being a broadcaster which attempted to lure the top 5 per cent of viewers in Asia to one which attracted the region's growing middle class. Star currently has an estimated 200m viewers in Asia.

To achieve this, Mr Davey said Star would change from a predominantly English-language broadcaster to one that offered viewers programmes in their own language. He said the change reflected Star's new management taking "a fresh but realistic look at the market".

Mr Davey, speaking at a media conference in Hong Kong, also foreboded the introduction of pay-TV on Star. He said Star was about to launch pay-TV channels, although he did not specify their number or type.

Until recently it had been thought that the formidable problems of fee collection across the vast and varied terrain which Star covers would prevent the early introduction of pay-TV.

Mr Davey underlined Star TV's appreciation of the special cultural and political circumstances in which it was broadcasting.

Star would "pay greater attention to local needs, tastes and sensitivities," he said.

"In this region we fully recognise our responsibilities to cater to local needs. In a region with far greater political and cultural diversity than Europe, any broadcaster must be conscious of these sensitivities and operate accordingly."

Earlier this week it was announced that the BBC would cease transmitting its World Service Television news on Star TV's "northern beam". This covers China, Mongolia, Hong Kong, Taiwan, Korea and Japan.

Since his move to Hong Kong, Mr Rupert Murdoch, News Corp's chairman, has sought to impress China's Communist rulers and other Asian political leaders. He hopes that by sacking the BBC his cause may be served.

Mr Simon Keswick, chairman, said: "The company's two hotels in Hong Kong should benefit from stronger demand in 1994."

"While the immediate outlook is mixed in the group's other markets, the groundwork has been laid for future growth and the prospects for Mandarin Oriental remain encouraging."

Earnings per share were 6 US cents, against 5.94 cents. The group is maintaining a 5 cents a share dividend.

HK hotel group static at \$40m

By Louise Lucas in Hong Kong

Mandarin Oriental Inter, the hotel group controlled by Jardine Matheson, yesterday announced unchanged net earnings of US\$40.8m for 1993, compared with \$40.2m the previous year.

Improved contributions from the Hong Kong hotels were offset by weak performances in most other markets, the company said.

The results fell short of expectations, and the group has been hit by a fall in hotel visitors. For 1989,

profits totalled HK\$392.8m (US\$50.8m).

Some 84 per cent of profits before interest and tax came from Hong Kong and Macao last year, and Mr Robert Riley, managing director, earmarked the colony as one of next year's better performers, due to shrinking supply as hotels are pulled down and converted into office blocks.

Mr Riley said the average room rate at the Mandarin Oriental in Hong Kong was lower than it was in 1989, during which time inflation in the colony had risen more than 50 per

cent. This year he sees rates outpacing inflation as the sector attempts to catch up.

Mr Simon Keswick, chairman, said: "The company's two hotels in Hong Kong should benefit from stronger demand in 1994."

"While the immediate outlook is mixed in the group's other markets, the groundwork has been laid for future growth and the prospects for Mandarin Oriental remain encouraging."

Earnings per share were 6 US cents, against 5.94 cents. The group is maintaining a 5 cents a share dividend.

Discounters hurt Marui profit

By Emiko Torazono in Tokyo

Marui, the big Japanese department store group, suffered sharp falls in non-consolidated profit and sales for the year ended January as consumer confidence continued to wane.

The retailer said parent pre-tax profits fell 14.9 per cent to ¥29.5bn (\$280m), while sales declined 6 per cent to ¥506.8bn.

Japan's department stores have been hit by competition from discount retailers, with consumers opting for value at the expense of higher margin items. Mr Tadao Aoi, Marui's president, said the retailer will try to prevent further declines in sales.

A fall in interest income due to the fall in interest rates also hurt profits, with after-tax profits down 12 per cent to ¥16.5bn.

For the current year, Marui expects profits to decline further. It predicts a 12.8 per cent

fall in pre-tax profits to ¥26bn on a 0.6 per cent rise in sales to ¥510bn.

Anyama Trading, the Japanese retailer of discount men's suits, said it will tie up with J.C. Penney, the leading US department store, to set up a men's casual wear chain in Japan.

Anyama plans to open the first store in the autumn and expects to expand the chain to 50 to 70 stores during the year ending March 1995.

NEWS IN BRIEF

Australia Air offered grant to move base

The Victoria state government has offered a \$45m (US\$35m) grant to Australia Air International if the fledgling carrier, which holds air service rights to China, moves its headquarters from Sydney to Melbourne, writes Nikki Tait from Sydney.

Australia Air was given the rights to weekly flights between Australia and Beijing last year, but has been unable to satisfy the International Air Service Commission that it has the necessary funds to start operating.

The Victoria government's offer is conditional on a \$450m flotation of the airline during the next two months.

Comalco NZ posts NZ\$18m loss

Comalco New Zealand, part of the Australian Comalco group, has made an after-tax loss of

NZ\$18m (US\$10m) for 1993, its deficit third in a row, writes Terry Hall from Wellington.

Mr Kerry McDonald, chief executive, said prospects seemed to be improving as world demand for aluminium was growing and prices were recovering. He added that low prices were responsible for last year's loss, which followed a "massive" increase in supplies from the former Soviet Union.

CSR buys stake in earthmover

CSR, the building materials and sugar group, is to purchase a 51 per cent stake in AWP Contractors, a Western Australia earthmoving business, for A\$30m (US\$21m), Renter reports from Sydney. AWP is 33.3 per cent held by Broken Hill Holdings.

Israeli construction group float delayed

The Israeli finance ministry is to postpone a share offering of Shikun U'Pituah, the state-owned construction company, Renter reports from Jerusalem. The floatation had been expected to bring in \$37m.

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Duff Forecasts and Market Myths for 1994
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will rise, Japan's economy & stock market will be weak. You did
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contains a more detailed forecast. Issue for the year 1994 is now available for
£2.50 (US\$4.00) per copy. Call 071 352 9400 or write to us at 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

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RIGGS NATIONAL CORPORATION
US \$100,000,000
FLOATING RATE SUBORDINATED NOTES DUE 1996
In accordance with the provisions of the Notes, interest is hereby given that for
the period 22 March 1994 to 22 June 1994 the Notes will carry a rate of interest
of 5 1/8% per annum with a coupon amount of US\$ 134.17

This announcement appears as a matter of record only.

\$25,000,000

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March, 1994

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SECURITISATION 92-1 LIMITED

(Incorporated with limited liability in Jersey)

Notice is hereby given that the Rate of Interest has been fixed at
4.6375% and that the interest payable on the relevant Interest
Payment Date June 23, 1994, in respect of U.S.\$61,000 nominal
of the Notes will be U.S.\$722.93 and in respect of U.S.\$30,500
nominal of the Notes will be U.S.\$361.47.

March 23, 1994, London
By Citibank, N.A. (Issuer Services), Agent Bank **CITIBANK**

Quote
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THE KOREA-EUROPE FUND

International Depository Receipts

Issued by

Morgan Guaranty Trust Company of New York

INTERIM RESULTS

The Directors of The Korea-Europe Fund Limited announce the
unaudited results for the six months ended 31 December 1993.

	At 31 December 1993	At 31 December 1992
Assets applicable to ordinary capital	US\$ 000	US\$ 000
Net asset value per share	201.272	148.952
	87.02	85.12
Investment Income:		
Dividends	107	256
Bond Interest	107	218
Deposit Interest	15	22
Total Revenue	122	500
Expenses and Interest	1,054	893
Deficit before taxation	932	393
Taxation on the revenue	912	304
Deficit after taxation	20	89
Deficit per share	3.24 cents	1.16 cents

Over the six months to 31 December 1993 the net asset value of the
Company increased by 27.4 per cent, compared with a rise of 15 per
cent. In the KSE Composite Stock Price Index in US Dollar terms.
This outperformance was largely due to the Company's
overweighting in smaller companies which outperformed the rest of
the market.

The Majority of dividend payments by Korean companies are made
in the first six months of the calendar year. As a result, the greater
part of the Company's revenue will be received in the final six
months of the current accounting period and there is a deficit of
revenue after taxation for the period covered by this statement.

The Interim Report will be mailed to registered shareholders at their
registered addresses on 4 April 1994. For the benefit of holders of
depository receipts the Interim Results will be published in the
Financial Times on 23 March 1994, and copies of the Interim Report
will be made available from 4 April 1994 at the offices of Schroder
Investment Management Limited, 85 Queen Victoria Street, London,
EC4V 4EL.

Depository: Morgan Guaranty Trust Company of New York, Brussels
Office, 35 av. des Arts, 1040 Brussels.

LEGAL NOTICES

Company No. 2371022

Registered in England and Wales

HARRISON SYSTEMS LIMITED

(formerly Computer Systems Limited)

Principal Place of Business:

Unit 2, Newton Business Centre,

Thorncliffe Industrial Estate, Sheffield

NOTICE IS HEREBY GIVEN, pursuant to

Section 89(1) of the Insolvency Act 1986, that a

meeting of the creditors of the above named company will be held at 1 East Parade,

Sheffield S1 2ET, on 30 March 1994 at 10.30 am

for the purpose of having before it a copy of the

report prepared by the administrative receiver in pursuance of

the provisions of Section 84 of the Insolvency Act 1986 and

to consider and vote on any proposal for the winding up of the company.

The meeting will be held at 1 East Parade, Sheffield S1 2ET, at 10.30 am on 30 March 1994.

Dated 18 March 1994

Y. H. HARRISON and N. D. MASON

Joint Administrative Receivers

COMPANY NOTICES

LEUMI INTERNATIONAL

INVESTMENTS N.V.

US \$5,000,000 GUARANTEED FLOATING

RATE NOTES DUE 2000

The interest rate applicable to the above

notes in respect of the interest rate

period commencing 21st March 1994

has been fixed at 4 1/8% per annum. The

interest amounting to US \$228.51 per

US \$100,000 principal amount and to

US \$228.51 per US \$100,000 principal

amount of the Notes will be paid on

21st September 1994 against

presentation of Coupon No. 8.

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£300,000,000

Floating rate notes due

1995 Initial Tranche

\$200,000,000

For the interest period 21

March 1994 to 21 June 1994

the notes will bear interest of

5.25% per annum. Interest

payable on 21 June 1994 per

\$100,000 note will amount to

\$1,321.29

Agent: Morgan Guaranty

Trust Company

JPMorgan

U.S. \$125,000,000

American Express Travel Related

Services Company, Inc.

(Incorporated in New York)

Floating Rate Notes Due 1998

(the "Notes")

Notice is hereby given that for the three months interest period from

March 23, 1994 to June 23, 1994 the Notes will carry an interest

rate of 4.5125% per annum. The interest payable on the interest

payment date June 23, 1994 will be U.S. \$101.21 and

U.S. \$1,102.08 respectively for Notes in denominations of U.S.

\$10,000 and U.S. \$100,000.

By: The Chase Manhattan Bank, N.A.,
London, Principal Paying Agent and Agent Bank

March 23, 1994

US Treasury prices see-saw ahead of Fed meeting

By Frank McGurty in New York and Antonio Sharpe in London

US Treasury bond prices saw a sharp recovery early yesterday as a Federal Reserve committee opened a policy-making session that was expected to coincide with a move to tighter money. Later, Federal Reserve Board chairman Mr Alan Greenspan said central bank policymakers had decided to increase pressure on bank reserves in order to raise interest rates.

This action is expected to be associated with a small increase in short-term money market interest rates, Mr Greenspan said.

By midday, the benchmark 30-year government bond was higher at 91 1/2, with the yield slipping to 6.98 per cent. At the short end, the two-year

note was 1/4 better at 95 1/2, to yield 5.03 per cent.

Early on, bond traders were content to remain on the sidelines amid the uncertainty surrounding the outcome of the meeting of the Federal Open Market Committee.

With no indication of a policy change during the morning session, however, bonds across the yield curve moved moderately higher in light trading.

The gains seemed to suggest that the market had already priced an increase in the Fed Funds rate, currently standing at 5.25 per cent, into Treasury prices.

But the overriding nervousness of the market was revealed just before midday, when a Fed spokesman said the FOMC had not yet discussed monetary policy.

The news forced the long bond to give back all its session gains in a matter of minutes. Soon thereafter, it regained its stride and began moving up again.

Meanwhile, the FOMC session was complicating an afternoon auction by the Treasury.

GOVERNMENT BONDS

of \$17bn in two-year notes, to be followed by the sale of \$11bn in five-year securities the next day.

European government bond markets pared their gains yesterday afternoon following early indications that the US Fed might leave monetary policy unchanged.

Analysts said that the Fed's decision to keep the markets guessing about the direction of its monetary policy came as a surprise, since most traders had expected the Fed to sanction a rise of a quarter-point in the Fed funds rate to 3.5 per cent.

The lack of early action by the Fed extended the markets' long vigil for evidence that European bonds were in the process of de-coupling from the US market.

Analysts said that had the Fed decided to leave monetary policy unchanged, it would have been easier for the Bundesbank to cut its repo rate.

The market had expected the Bundesbank to lower the rate by up to 100 basis points from 5.5 per cent.

UK gilts generally outperformed other European government bond markets, supported by hopes of favourable inflation data for February today. The market expects a monthly rise of 0.4 per cent in the retail prices index, bringing the annual rate, excluding mortgages, down to 2.8 per cent from 3.2 per cent in January.

Media reports of a Gallup poll showing consumer confidence at a four-year low also supported gilt prices since the findings kept hopes of a further cut in interest rates alive.

The June long gilt future on Liffe traded at 109 1/2 in the late afternoon, up 1/2 on the day, off the day's high of 109 3/4 but well up on the worst level of 109 1/4.

Analysts expressed disappointment at the size of the Bank of England's first long-

ing-rate gilt for 15 years. They had been confident that the novelty value of the issue would encourage the Bank to set the amount at between £2bn to £3.5bn. However, the Bank chose to raise only £2.5bn, indicating to the market that it was comfortable with its funding programme.

The other terms of the issue were in line with market expectations - a minimum price of 99.50, a coupon of three-month Libor less 1/2 point and a five-year maturity.

German government bond prices saw a sharp recovery after news of the Fed's inaction. The June bund future on Liffe stood just under a half-point higher at 96.45 in the late afternoon, below the day's high of 96.50 but off the low of 96.40.

Crédit Agricole in venture with Lazard

By Tracy Corrigan

Crédit Agricole and the Lazard group have set up a joint company specialising in structured finance.

Crédit Agricole-Lazard Financial Products, based in London, will offer a wide range of financial techniques to large international companies.

Unlike the financial products subsidiaries set up by Citicorp, Boston and Merrill Lynch, the unit is not designed as a vehicle for trading derivative instruments.

An increasing proportion of corporate finance, including mergers and acquisitions business, now involves structured transactions, often using derivative instruments.

Mr Edouard Stern, a partner of Lazard Frères, cited Viacom's \$3.5bn agreed takeover of Paramount, which was helped by the offer of contingent value rights, structured

using derivatives, to Paramount shareholders. Lazard was Paramount's adviser.

In the past, Lazard has used other houses for derivative transactions.

Crédit Agricole, France's largest bank, is already a significant participant in the debt and derivative markets, but has not been active in corporate finance.

Under the partnership, Crédit Agricole will provide the necessary capital and trading muscle, while Lazard will provide the client list and corporate finance expertise.

The amount of capital provided for the joint company was not disclosed, but 75 per cent is provided by the Caisse Nationale de Crédit Agricole and 25 per cent by the Lazard houses of London, Paris and New York.

The board of directors is made up equally of representatives of the two shareholders.

Turkey's foreign debt rating lowered by S&P

By John Murray Brown in Ankara and Tracy Corrigan in London

Standard & Poor's has lowered Turkey's foreign currency debt rating from triple-B minus to double-B, taking the country's credit below investment grade. Turkey was also placed on CreditWatch suggesting that its rating may be lowered further. S&P cited delays in implementing an austerity plan to tackle Turkey's economic crisis.

Earlier this week, the Treasury came close to defaulting on some \$415m-worth of lira-denominated government bonds issued by the state-owned Public Participation Administration.

Banks involved say the PPA settled the amount in full, but only after a seven-hour delay. This was too late for many banks to transfer the funds electronically, so they incurred

the cost of overnight borrowing to cover their positions. Government finances are facing a growing liquidity shortage. However this is the first time Turkey has appeared close to a default.

The crisis came after the Treasury refused to provide finance, forcing the PPA into the interbank market for an estimated \$200m. This resulted in a scramble for funds pushing up interbank rates, which yesterday touched 450 per cent.

The PPA has an estimated \$1bn of outstanding revenue sharing bonds. The two-year bonds are lira-based, dollar-indexed and redeemable at the central bank fixing rate.

Bankers say it is moot point whether they are considered foreign or domestic liabilities, but the incident renewed bankers' concerns about Turkey's ability to service its foreign debt, which was about \$4bn at end-1993.

Poland considers borrowing over \$1bn

By Conner Middlehew in London and Anthony Robinson in Warsaw

Poland plans to borrow over \$1bn on the international capital markets following the successful conclusion of its London Club negotiations for a reduction of up to 45 per cent in its \$13bn commercial bank debt earlier this month.

Mr Henryk Chmielek, the acting finance minister, told an FT conference in Warsaw that the Polish government was exploring the possibility of raising \$1bn to \$1.5bn through foreign bonds now that the London Club agreement has reopened Poland's access to international markets on normal commercial terms.

According to Mr Ian Hume, director of the World Bank's Warsaw office, Poland needs higher foreign investment to fund the infrastructure investments needed to underpin sustained rapid growth. But the bulk of Poland's current \$1bn

to \$1.6bn annual investment will continue to be financed domestically, he said, with an increasing proportion coming from domestic bank lending, re-invested profits and other non-bank finance.

At the same time, the relative importance of funding by international financial institutions will decline, while foreign direct investment will continue to rise sharply, he added.

Meanwhile, the Eurobond market's tense vigil for the US Federal Reserve's Open Market Committee meeting kept issuers and investors sidelined. Although the Fed's afternoon open-market operation indicated an unchanged policy stance, traders still expected an imminent tightening and predicted that, until it arrives, the primary market will remain dead.

What little demand there is remains focused on floating-rate notes, which are less sensitive to interest rate uncertainty than fixed-rate bonds.

This encouraged the Southern Australian Government Finance Authority to issue \$500m of two-year FRNs paying three-month Libor flat, with a par issue price.

While some traders said the pricing was on the tight side, an official with lead manager Swiss Bank Corporation said the deal met solid demand, benefiting from the recent "demise of the fixed-rate market" and the recent build-up in cash and money market funds and bond investors looking for short-dated investments.

By late afternoon it was trading around 99 1/2, he said.

Germany's Landwirtschaftliche Rentenbank yesterday signed a Euro medium-term note programme worth \$2bn, arranged by Merrill Lynch, and plans to issue an inaugural benchmark Eurobond within

the next few weeks, it said.

The bank is a central refinancing institution for the German agriculture and food industries, channelling loans through commercial banks. S&P recently assigned a triple-A rating to its long-term debt. It is a frequent borrower in the German domestic market, where it has DM21.5bn of bonds outstanding.

Moody's has upgraded to A3 from Baa1 the long-term debt ratings of the Birmingham Midshires Building Society, citing the company's improving profitability and financial fundamentals. Some £200m of debt is affected.

Moody's has also placed the credit ratings of the three UK mortgage-backed securities under review for possible upgrade. They are: Collateralised Mortgage Securities (No 3), Allied And Platform Home Mortgage Securities No 1, rated Aaa; and Stars 1, rated Aaa. Around £780m in long-term debt is affected.

Seoul to ease domestic company finance rules

South Korea plans to ease rules on domestic company financing through securities markets and allow securities houses to expand their operations. Renter reports from April 1, manufacturing companies and small and medium-sized companies will be able to issue unlimited amounts of corporate bonds, the finance ministry said.

Manufacturing companies will also be free to raise capital via rights issues, while securities firms will no longer need prior approval to relocate branches, change names or invest in other brokers, the ministry said.

At present, the finance ministry sets limits on total corpo-

rate issues for a month. There are similar restrictions on rights issues.

In addition, the government will no longer require institutional investors to buy more shares than they sell or make capital contributions to the stock market stabilisation fund.

To encourage overseas portfolio investment, the ministry will adopt a "negative system", in which securities companies will now be able to engage in all foreign exchange dealings except for those prohibited by law.

Currently, the ministry has a "positive system" which bans all offshore portfolio investment unless otherwise permitted by the law.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Coupon	Rate	Days	Yield	Week	Month
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88
100/100	114.0000	0.0000	7.14	6.88	6.88

US INTEREST RATES

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

BOND FUTURES AND OPTIONS

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

UK GILTS PRICES

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

ITALY

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

ITALYAN GOVT. BOND (BTF) FUTURES (LIFE)

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

SPAIN

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

NOTIONAL SPANISH BOND FUTURES (MEFF)

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

UK

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

NOTIONAL UK GILT FUTURES (LIFBY) £50,000 30 days of 100%

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

LONG GILT FUTURES (LIFBY) £50,000 60 days of 100%

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

ECU

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

ECU BOND FUTURES (MATIF)

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

US

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

US TREASURY BOND FUTURES (CBT) \$100,000 30 days of 100%

Rate	Yield	Week	Month
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88
100/100	7.14	6.88	6.88

COMPANY NEWS: UK

Bowater disappoints in spite of rise to £212m

By Neil Buckley

Bowater, the packaging, printing and coated products group, yesterday claimed success for its "bold" acquisitions strategy as it revealed a 41 per cent increase in full-year pre-tax profits from £147m to £212m.

However, the group's shares, after an initial 10p surge, reacted badly, closing down 38p at 453p.

Analysts said the good results had been expected and already discounted in the share price, and the market was disappointed by a cautious statement from Bowater.

The group said market conditions, especially in continental Europe, continued to be difficult, and a move to shorter order books and smaller orders had accelerated. Raw materials prices were also said to be rising, prompting concerns about margin pressure.

But Mr David Lyon, chief executive, said demand showed some signs of improvement.

"Demand was down in the third quarter of last year, but came back in the fourth. Overall it's a little better."

The profit, at the top end of expectations, included an exceptional gain of £10.3m on business disposals, plus a £7m gain on foreign exchange translations.

Mr Lyon said last year's acquisitions, totalling £403m, of Specialty Coatings International, the US coatings company, medical packaging company Tower, and MiTek, the connector plate manufacturer, had been integrated quickly



David Lyon: demand is now showing some signs of improvement

and outperformed expectations.

An important task now was to exploit the links between different parts of the business to develop "value-added" products and ensure the group could offer integrated solutions to customers' needs.

Group turnover for the year to December 31 increased from £1.57bn to £2.14bn, including £318m from acquisitions.

Operating profits rose from £147m to £212m, with a £33m contribution from the acquisitions.

Operating profits in the UK and Ireland increased from

£59.5m to £74.5m, in the Americas from £39.2m to £50.7m, and in Australasia from £13.9m to £22.8m. Profits in continental Europe fell from £16.4m to £14m. Operating margins increased from 9 to 9.1 per cent.

A £61m cash inflow from operations, before acquisitions and rights issues, helped reduce debt from £276m to £262m. Gearing fell from 56 per cent to 40 per cent.

Bowater is proposing a final dividend of 7.25p, lifting the total from 11.1p to 12.55p. Earnings increased from 24.4p to 28.2p a share.

Computer problems take toll on Dorling

By Andrew Bolger

Dorling Kindersley Holdings, the publisher of highly illustrated reference books, reported a 17 per cent decline in pre-tax profits to £3.51m and said computer problems at a distributor had affected sales growth and increased costs.

Sales increased by 17 per cent to £45.13m in the six months to December 31.

The publisher's shares, which more than doubled after being floated at 185p at the end of 1993, fell sharply in December after the group issued a profits warning. The shares yesterday closed 2p higher at 268p.

Mr Peter Kindersley, chairman and chief executive, confirmed December's forecast that pre-tax profits for the year to June 30 were expected to be somewhat less than the £9.65m achieved previously.

DK said it had experienced problems over distribution by Tiptree Book Services to bookshops and, in particular, to DK Family Library, which sells directly to homes and schools.

Tiptree had been replaced as distributor for Family Library and its services to bookshops had improved, although DK continued to monitor the situation.

Mr Kindersley said DK was pursuing a legal claim against Tiptree for loss of revenue and additional costs, but had been advised not to disclose its estimate of the financial impact to date.

Tiptree, which is owned by Random House, the US publisher, said it refused to be made a scapegoat for the failure of DK to meet the expectations which its management had raised among shareholders. It would be misleading to suggest that DK might obtain from Tiptree what any compensation which DK might obtain from Tiptree would have any significant impact on the bottom line of the company's performance.

Another area of disappointment was DK Education, which supplies teaching packages to schools. Earnings per share fell to 3.3p (4.7p), but the interim dividend was held at 1.1p.

Dilemma of divided loyalties

Tim Burt on the key to the outcome of GKN's bid for Westland

Two institutional investors holding the key to the outcome of GKN's £497m hostile bid for Westland are about to be barraged by lobbying from the two sides.

M&G and Schroders are not relishing the prospect. As the largest institutional shareholders in both companies, they are in the uncomfortable situation of being asked to play King Solomon with Westland's future.

Their dilemma will be underlined by forceful lobbying by Mr Alan Jones, Westland chairman, who claims his company's best interests lie in independence, and by Sir David Lees, his GKN counterpart, who is seeking an enlarged defence business.

With 12 per cent of Westland and 5.5 per cent of GKN, M&G admits it could make a case for supporting either side.

The sentiment is similar at Schroders, which has 13.5 per cent of the helicopter company and 4.4 per cent of the engineering group. But to the chagrin of Sir David, they have so far leant towards the Yeovil-based helicopter maker.

Their task has been easier by GKN's 200p a share offer, launched seven weeks ago at a 5 per cent discount to the market price. The move prompted a sharp rise in Westland's shares to 383p, but they fell back after GKN vigorously attacked Westland's prospects.

They closed yesterday at 326p. Before even entering into any arguments about prospective helicopter orders or synergies with GKN's armoured vehicles business, the institutions simply point to the price and say it is inadequate.

Mr Richard Hughes, director of investment management at M&G, says: "The shares are priced well above 200p. Sir David claims the price already includes a premium to Westland's underlying value and is a fair price in the face of uncertain future prospects."

Such comments - echoed at Schroders - raise the hackles of GKN executives, who complain that the institutions must start looking at the takeover as their shareholders too.

For them, Westland would

not only immediately quadruple the turnover of its defence business to more than £500m a year, but would transform the tax profile of the whole group.

The helicopter group's UK profits would enable GKN to recon a large chunk of Advance Corporation Tax, which it has been forced to write off in the past because of its high proportion of overseas earnings.

By increasing UK sales to 40 per cent of turnover, Westland would bring GKN's total tax rate closer to the 33 per cent average from 33.7 per cent last year, when it wrote off £7.9m of unrecouped ACT.

While admitting Westland would "impact favourably" on GKN's overall tax rate, the Midlands-based group argues that such a marriage would also be blessed by logistical and marketing advantages, especially in lucrative export markets.

It has also held out the prospect of financial support to bolster Westland's balance sheet, which it suggests may not be strong enough to sustain strong demand for civil variants of the EH101 helicopter - should that materialise.

Defence industry analysts are not convinced. They see GKN's motives as purely fiscal. "If Westland is so attractive, then GKN will have to dig deeper into its pockets and find a little more," said one analyst.

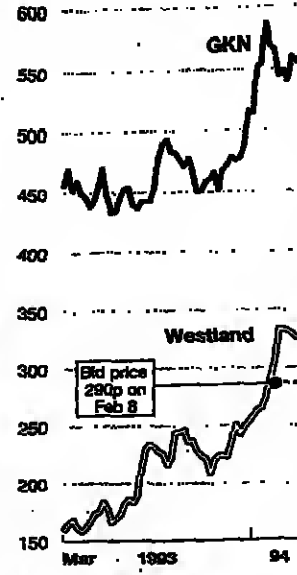
Several analysts also suggest that the offer price reflects GKN's expertise in extracting a good deal from United Technologies, which agreed to sell its 18.7 per cent Westland holding for £75m at 290p a share.

However, with 45 per cent of Westland under its belt, GKN appears wedded to 200p. Sir David claims the price already includes a premium to Westland's underlying value and is a fair price in the face of uncertain future prospects.

Helicopter orders may be picking up, he says, but they are not as rosy as Westland claims. Describing Westland's sales estimates as over-optimistic, Sir David warns: "Westland

Westland lifts off

Share prices (pence)



does not and cannot project when profits will support the current share price."

He points out that Westland's prospects would have to grow remarkably from the one delivery scheduled this year to meet in 2000 its estimated 39 deliveries of which 12 are already on order and 27 as yet prospects.

Mr Jones claims the market has already given GKN the thumbs down. He denies suggestions that Westland's shares have been boosted by bid speculation and its success last year in extracting a £365m damages award, still under appeal, from the Arab Organisation for Industrialisation.

"The offers were made below the market price and include no premium for our potential, for control or for the tax advantages to GKN," he says.

Having sparred for several weeks, the two chairmen are now putting the final touches to their institutional presentations.

Westland is likely to promise M&G and Schroders sizeable earnings growth if they stick with the company as its production expands.

GKN will argue that Westland would fare even better as part of a larger group, and that the institutions would benefit from its upside potential anyway as shareholders in GKN.

Keen to win City support for its argument, the engineering group has also pointed to a report published last week by UBS, the securities house. Taking a forecast of orders 28 per cent higher than Westland's own, it produced a best case scenario for the year 2002 that gave Westland's shares a present value of 306p on a cashflow basis and 275p on an earnings basis.

The same report, however, argues: "Westland's strong product range, cost base, and order book is producing rapidly accelerating earnings and dividend growth. The tax benefits available to GKN make Westland worth up to 400p per share, rather than the 280p it has offered."

Faced with increasingly hostile arguments, the institutions are sitting tight and waiting for the combatants to fire the next salvo.

That is expected next Monday, the deadline for Westland to release new information relevant to the bid. It is expected to make a buoyant trading forecast, pointing to profits of at least £36m (£30.5m) this year despite continuing uncertainties in the defence and aerospace market.

Despite Sir David's protestations that GKN has made a fair offer, the institutions sense that the tax incentive will be enough to persuade him to up his bid - albeit marginally.

"Buying a growing company at a depressed point in the market, which also comes with tax advantages, is a very attractive option," says one institutional investor.

Warning GKN that there is little prospect of it accepting the bid at the current price, another institution warns: "GKN and Westland are going to have to live together whether the bid stands or falls. Sir David knows the game, and he knows we won't accept this offer."

Butte loss static at £355,000

By Kenneth Gooding, Mining Correspondent

Butte Mining, the UK company whose main activity is prosecuting US lawsuits - it is seeking damages of up to \$1bn (£570m) from former managers and promoters - has reported a pre-tax loss of £355,000 for the six months to end-December and the result for the full year is not expected to be any worse than this.

The interim result is little changed from the £336,000 deficit in the same period last year.

Mr David Lloyd-Jacob, chairman, said the past six months "have been frustrating, with no action by the Federal District Court Judge in Montana on any of the substantive motions in front of him."

"Until the judge rules on these motions, a court date cannot be set. We have devel-

oped an extremely strong case and look forward to the opportunity of presenting it in court," he added.

In the second half of this year, Butte expects to finish restructuring and floating VAM, an Australian gold company, and to receive about A\$800,000 (£394,000) from this transaction.

This will provide funding to develop some of the company's property in Montana.

Such comments - echoed at Schroders - raise the hackles of GKN executives, who complain that the institutions must start looking at the takeover as their shareholders too.

For them, Westland would

Clyde Petroleum cuts loss to £23.4m

By Peggy Hollinger

Clyde Petroleum, the loss-making oil and gas exploration company, yesterday warned that a return to profitability was uncertain as long as the oil price remained at historically low levels.

Mr Malcolm Gourlay, chief executive, said that in a climate of weak oil prices, a return to profit and to the dividend list depended on two main factors: the speed at which Clyde could build up production and the level of exploration write-offs.

This latter factor, which writes off unsuccessful exploration as incurred, was "unpredictable," said Mr Gourlay.

The group was seeking to reduce the exposure to such factors by reining in exploration. Expenditure on new prospects was £18m last year, against £30m previously. Clyde was further reduc-

ing exploration investment to £10m this year.

The group spent £33.6m on development, against £17.4m last time. Some £36m was budgeted for development this year.

Clyde reported lower net losses of £23.4m for the year to December 31, against a £38.8m deficit last time. Sales were 2 per cent lower at £81.6m.

The company enjoyed a series of one-off gains which helped to reduce losses. These included an £8.3m fall in exploration costs to £34m, a tax clawback of £5m, and lower provisions of £7.2m (£11m) on the carrying value of assets.

The company also benefited from the hedging of 90 per cent of its production at an \$18 oil price. Some 24 per cent of this year's output was hedged at \$17, Mr Gourlay said.

Clyde expected to increase production by 60 per cent this year, largely because of

the inclusion for a full year of output from the North Sea Gryphon field. Last year Clyde staged a £34m rights issue to develop this field.

"At the moment we are disappointed that benefit comes in juxtaposition with a historically low oil price," Mr Gourlay said.

Analysts greeted the results with a certain degree of resignation. Borrowings of £188.7m, representing 110 per cent of shareholders' funds, remained higher than expected.

The group was also not showing a great deal of success in the exploration carried out to date, even though it has been attempting to reduce the risk through farming out interests.

As in previous years, there was no dividend. Losses per share were halved to 6.2p. Proven and probable reserves fell by 8 per cent to 164.4m barrels of oil equivalent.

CE Heath decides to axe six reinsurance jobs

By Andrew Jack

CE Heath, the insurance broker, yesterday made six of the staff in its reinsurance division redundant, including the joint managing director of its LMX operations.

The surprise notification of compulsory redundancies yesterday at the company follows restructuring over several years of similar excess insurance divisions at many other brokers.

Mr Tim Broadhurst, managing director of Heath Fielding, confirmed that Mr Paul McCarthy, joint managing director, one junior director and four staff had been

made redundant. He said that there were no plans to replace these staff and that Mr Dennis King, the other joint managing director, would take charge.

He stressed that the functions provided would continue for the foreseeable future and that he anticipated no reduction in the volume of business. He said that division remained "extremely profitable."

"There are no problems, no further redundancies and the numbers will reveal all in due course," he said.

"LMX is a word disappearing from our vocabulary but we will still have a retro division."

Cost-cutting helps UDO advance 32% to £1.85m

By Tim Burt

UDO Holdings, the supplier of drawing office equipment and reprographic services, yesterday hailed a cost-cutting programme and emphasis on high margin products as the main factor behind a 32 per cent increase in interim profits.

In the six months to January 31, pre-tax profits rose to £1.85m (£1.4m). This was despite reduced turnover of £23.1m (£23.9m) as the group's traditional businesses continued to suffer the effects of recession.

Mr Mike Wright, chairman, said the improvement reflected savings achieved by a redun-

dancy programme and renewed emphasis on higher margin products.

The workforce has been cut by 10 per cent to 900, and Mr Wright said he had been encouraged by growing demand for the group's colour imaging equipment.

"The colour imaging centre, established last year and capitalising on a very substantial investment, are now contributing to group profits," he added.

Earnings per share rose to 4.25p (3.22p), and the interim dividend is up to 2.22p (2.07p). The group ended the year with net cash of £14.4m and said it was considering acquisitions.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total for year
Allied London	1.18	July 1	1.075	5.4	3.53
American Trust	3.6	June	3.4	5.4	4.9
Antipolysta	151	May 12	14	21	20
Appleyard	2.91	June 15	2.6	5.5	5.2
Avonmore Foods	24	May 15	1.55	2.6	3.5
Berry Starquest	2.2	Apr 29	2.2	2.2	2.2
Bourne End	0.255	July 5	1	1	1
Bowater	7.25	June 1	6.65	12.56	11.9
BSC	2.5	June 3	2.5	3.2	3.2
Derwent Valley	0.66	May 27	5.7	9.1	8.6
Dorling	1.1	May 27	1.1	3.5	3.5
Holders Tech S	4	May 4	4	8	8
Iceland	2.6	May 27	2.3	3.9	3.5
Law Debenture	12.75	Apr 30	12	19.25	18.25
Liliput	0.6	May 20	0.6	0.6	0.6
Lincet S	2.2	Apr 22	2	2	2
Lon & St Lawrence	3.125	May 23	3.64	4.12	4.12
Maybarn S	3.9	May 31	3.4	5.7	6
Metalbox	2.7	June 9	2.75	5	4.6
Prudential	3	June 3	2.73	4	3.6
Quicks	31	May 25	7.9	18.2	18.2
River & Merc Am	2.4	June 9	2.75	5	4.6
RPS S	1.3	May 19	1.2	2.6	2.2
Secore Trust	10.5	May 24	9.5	15	15
Trace Computers	0.56	May 18	0.55	9.7	9.7
Trinity Int	8.7	Apr 29	0.5	0.5	0.5
Try	2.22	May 20	2.07	7.2	7.2
UDO Holdings	1.86	July 1	3	2.5	2.5
UK Safety	1.86	July 1	3	2.5	2.5

Dividends shown pence per share net except where otherwise stated. For increased capital. US\$M stock. British pence throughout. *Equivalent after adjusting for scrip issues.

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BSG hit by slowing orders and recession

By Tim Burt

BSG International, the vehicle distribution, childcare products, motor and aviation equipment group, yesterday blamed a 27 per cent decline in 1993 operating profits on falling demand for automotive and aircraft components.

The Midlands-based group saw operating profits fall 55m to £13.2m as its businesses suffered under the twin impact of recession in continental Europe and slowing orders for new aircraft.

Although pre-tax profits rose to £10.6m from a restated £7.5m, the group said this increase was due mainly to a £1.5m profit on the sale of one of its Midlands plants and reduced interest payments.

Mr Richard Marton, chief executive, said pre-tax profits would have been higher had it not been for £1.1m of redundancy and restructuring costs, mostly at its Rumbold aircraft interiors subsidiary where the workforce was cut by 10 per cent to 750.

The company, part of the group's consumer and special products division, suffered from a 30 per cent reduction in new aircraft under construction. The division, which also saw recession hit demand for its childcare products in Europe, reported a 43.5 per cent decline in operating profits to £4m. Automotive components, previously the group's largest division, endured an even sharper fall as operating profits slumped 63.2 per cent to £2.7m.

Mr Marton said: "We're being dragged down by problems in Europe. The car market is in a mess and will remain so for the rest of this year."

The problems were partially offset by an upturn in UK vehicle registrations and used car sales, which helped the vehicle distribution and leasing business increase profits by 62 per cent to £6.5m (£4.1m).

Together the three divisions lifted group turnover to £573.9m (£566.1m).

Mr Marton, meanwhile, said

the group was committed to disposals of peripheral businesses. "We want to eliminate the problem areas of the group as far as possible," he said.

Earnings per share came out at 2.43p (1.57p) and the final dividend unchanged at 2.5p, maintaining a 3.2p total.

COMMENT

Despite BSG's disappointing operating performance, its shares fell just 14p yesterday to 77.4p. The market's flat reaction reflects a willingness to believe that BSG will make the right restructuring decisions. Although the company remains tight-lipped about its intentions, it is thought to be reviewing some of its operations in continental Europe and how to extract greater earnings from its core businesses. Forecast pre-tax profits this year of £10m indicate that BSG is at the bottom of its business cycle and should benefit from new orders, but on a multiple of 18.9p, the shares remain an expensive option.

Bupa advances 13% to £41.2m

By Bethan Hutton

Bupa, Britain's largest private medical insurer, achieved a 13 per cent improvement in pre-tax profits to £41.2m for the year to end-December 1993.

The figure, which compared with £36.5m for 1992, was struck after taking account of a £4.9m rise in exceptional costs to £18.9m.

The underwriting surplus grew to £18.5m (£17.8m) before exceptional costs, because of an improvement in the loss ratio, which expresses benefits paid as a percentage of subscription income. The ratio figure for 1993 was 81.1 per cent compared with 82.3 per cent in 1992.

The results show a continuing strengthening from 1990, when the association incurred a loss of £38.2m, and 1991 when there was a pre-tax profit of £1.8m.

Exceptional costs reflected the restructuring of Sanitas, the group's Spanish subsidiary, and property write-downs in the UK.

Reserves grew by £79.9m to £299m last year and the group's solvency ratio increased from 43 per cent to 53 per cent.

Operating profits from the health services division, which runs hospitals, screening centres and nursing homes, improved from £22.1m to £25.7m. The advance was attributed mainly to greater efficiency.

Bupa's market share has fallen in recent years as new providers have entered the market. According to the Monopolies and Mergers Commission its share has declined from 59 per cent in 1985 to 44 per cent in 1992.

However, the group says its customer base has now stabilised and it, as appears likely, the market has contracted overall this year, that may mean its market share has improved slightly.

There was considerable speculation last year that Bupa was planning to swap its provision of association status for a market listing, but the group now says it has no plans to go public in the near future.

Expanding Appleyard up at £5m

By Paul Taylor

Appleyard Group, the North Yorkshire-based motor dealer, yesterday announced the acquisition of five passenger car dealerships from Whitworths Holdings, the private flour milling group, and at the same time unveiled a sharp increase in 1993 pre-tax profits from £223,000 to £5.12m.

The acquisition is for £10.2m cash and will be funded from the £16.4m proceeds of last September's 3-for-10 rights issue. The mixed franchise dealerships being acquired showed a combined operating loss of £100,000 last year on turnover of £44.6m and had estimated net assets of £8.9m including £5.9m of property assets.

Mr Mike Williamson, chairman and chief executive, was confident the financial performance of the dealerships could be improved. He said the deal was a further step in the group's national growth strategy.

The group's profit was achieved on turnover up 20 per cent to £366.9m (£305.5m). Operating profits were £5.9m (£1.94m).

Mr Williamson said the passenger car business benefited from the stronger new car market while used car volumes and margins firmed as the year progressed. The group has continued its

multi-franchising strategy and now has 15 sites with two or more franchises - two of the Whitworths dealerships are also multi-franchise.

As part of the plan to widen its commercial vehicles interests the group acquired WSM Motors, a Mercedes-Benz operation in Bristol and Yeovil in November.

Trading profits from the group's associated contract hire and leasing business increased by 72 per cent to £1.5m.

Net interest costs fell to £2.3m (£3.61m).

Earnings per share increased from 0.8p to 6.8p and the final dividend is raised to 2.9p (2.6p) making a total of 5.9p (5.2p).

Appleyard continues to benefit from the effects of operational gearing following its cost reduction programme with incremental volume improvement producing disproportionate profit gains. In terms of the outlook profits from new and used car sales are continuing to improve and the after sales market is strong. The group's multi-franchising strategy makes sense and the acquisition - which looks sensibly priced - will broaden its geographic reach. Further acquisitions are likely. Pre-tax profits should reach £8.5m this year producing earnings per share of 9.6p and a prospective p/e of 16.1.

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Try in the red and calls for £5.6m

By Andrew Taylor, Construction Correspondent

Try Group yesterday became the latest company to announce a rights issue to finance land purchases and take advantage of the housing market recovery.

The company is seeking to raise £5.6m via a 3-for-5 share issue at 23p apiece. Try, at the same time, announced a £17.7m pre-tax loss for the year to end-December after property and rationalisation provisions of £1.7m. This compares with a restated loss of £810,000 for 1992.

The scale of the losses and provisions had been signalled by the company earlier this year, and the shares fell 3p to 30p.

Because it has taken £6.7m of accumulated losses from the housing division onto the group balance sheet, the company has insufficient distributable reserves to pay a

final dividend leaving the total pay-out for the year at 0.5p (1p).

In order to resume dividend payments Try is seeking shareholder and court approval to reduce its share premium account by the appropriate amount.

Mr Peter Howell, chief executive, said it was the company's intention to pay a total net dividend of 1p for 1994. Losses per share were 5.12p (4.23p). Group turnover rose to £124m (£118m). The contracting division made an operating profit of £124m on sales of £116m. Two thirds of a record £126m order book was negotiated work which tended to command higher margins than work won on competitive tender, said Mr Howell.

Housebuilding incurred an £890,000 loss, mainly because of the timing of developments on more expensive land bought by the group during the late 1980s. The num-

ber of homes sold also fell, from 201 to 162. The rights issue has been underwritten by Lazards.

COMMENT

Try's decision to expand housebuilding, closing operations in East Anglia and Scotland and concentrating in south-east England, looks a little belated compared with others in the sector. It is a good contractor achieving better than average profit margins throughout the recession. Its record in residential and commercial property is less impressive. The rights price, however, is at a sufficient discount to make this a worthwhile investment if the new housebuilding team performs, but it is a risk. At an ex-rights price of 29p the company is on a prospective p/e of almost 20 on pre-tax profits of £1m in 1994 and a p/e of 11 on £2m in 1995.

Mayborn increases 19% to £4.24m

Mayborn Group, involved in the packaging and distribution of consumer goods to the retail trade, achieved a 19 per cent rise in pre-tax profits from £3.55m to £4.24m in the year to December 31.

The largest rise came from the fabric dyes division with operating profits ahead to £1.94m (£1.52m). Baby products contributed £3m (£2.91m) while losses at florists' sundries deepened to £28,000 (£19,000). Mr Ian Peacock, chairman, said it could be some time before that division returned to profitability.

Turnover of this USM-quoted concern grew 11 per cent to £39.9m (£36.1m) and the pre-tax result was after net interest payable of £120,000 (£31,000).

Earnings per share were 14.3p against 12.4p and a final dividend of 3.5p (3.4p) lifts the total to 5.7p (5p).

CMG ahead and plans flotation next spring

By Alan Cane

Computer Management Group, a privately held computing services company operating chiefly in the UK and continental Europe, achieved increased turnover and profits before tax in 1993.

The company has, subject to market conditions, decided to float on the London Stock Exchange in the spring of 1995 through a placing that will value it at about £130m.

Turnover for 1993 reached £128.8m, an increase of 19 per cent on the previous year's £107.8m, and pre-tax profits rose by 25 per cent to £11.1m.

Earnings per share, however, at 35.4p fully diluted were only slightly ahead of the 35.3p recorded last time.

Mr Chris Banks, group finance director, said that although the company had grown some 5 per cent in Germany it had lost money there,

leading to tax charges which could not be offset against losses. As a result, the tax charge grew from £3.3m to £5.8m.

Growth had been strong in the Netherlands, helped by two small acquisitions, but weak in the UK. There were signs that the latter was improving and the company would continue to grow in 1994.

CMG is an employee-owned company with some 1,800 shareholders comprising employees, former employees and close relatives. A dividend for the year of 13.1p will be paid. Dividend cover is 2.8 times.

Mr Banks said the company had decided to come to the market to improve its scope for growth, to provide liquidity for existing shareholders and to underline the company's public image.

Kleinwortz-Benson will be adviser to the flotation.

Allied London leaps to £5.75m

By Simon Davies

Allied London Properties, the property investment company, yesterday reported doubled pre-tax profits of £5.75m in the six months to December, against £2.89m last time.

Sir Geoffrey Leigh, the chairman, said the upswing in the property market "accelerated in the last quarter of 1993, with an improvement in yields, and there are also some indications of renewed tenant interest in expanding their requirements".

This bullish view has been reflected in the £41m invested by Allied London since the start of the current fiscal year.

Net rental income at the interim stage was £10.3m (£9m), and the company reported a £957,000 profit from the sale of an investment property, and a further £695,000 from short-term investments. Interest payments were stable at £5.4m.

Allied London has utilised cash balances, which stood at £16m in June, to acquire Pelham Homes from the Rosehaugh receiver. The transaction was completed in December for £3m, and Pelham carried a further £14m of debt.

Pelham owns a substantial land bank in south east

England, and Allied London plans to add value through improved planning consents, and then trade the sites, against the background of rapidly increasing land prices for the housing market.

Allied London's gearing is currently around 100 per cent, but this is based against June 30 property valuations. The company said it was actively seeking further investment opportunities.

Allied London will pay an interim dividend of 1.18p (1.075p). Fully diluted earnings per share amounted to 4.1p (2.5p).

UniChem in £2.44m buy

UniChem, the pharmaceuticals wholesaler, has bought EA Brocklehurst, which operates 10 pharmacies throughout Hampshire, for £2.44m, writes Rebecca Rea.

The consideration for Brocklehurst will be met by the issue of 220,604 ordinary shares of 10p each and the issue of loan notes totalling £420,000; the rest will be paid in cash.

Seven of the pharmacies will become Moss Chemists, the brand name of UniChem's E Moss subsidiary, while the other three have been sold back to two former Brocklehurst directors for £457,000.

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Kansallis House
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L-1021 Luxembourg
R.C. Luxembourg B 20095

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of FIDELITY SPECIAL GROWTH FUND, a société d'investissement à capital variable organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal office of the Fund, Kansallis House, Place de l'Étoile, Luxembourg, at 11:00 a.m. on March 31, 1994, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended November 30, 1993.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3d, Barry R. J. Baerman, Charles T. M. Collis, Sir Charles A. Fraser, Jean Hamillius and H. F. van den Hoven, being all of the present Directors.
6. Election of the Auditor, specifically the election of Compers & Lybrand, Luxembourg.
7. Declaration of a cash dividend in respect of the fiscal year ended November 30, 1993.
8. Consideration of such other business as may properly come before the meeting.

Approval of items 1 through 7 of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: February 17, 1994

BY ORDER OF THE BOARD OF DIRECTORS

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The interest payment date will be 22nd June 1994. Coupon No. 36 will therefore be payable on 22nd June 1994 at £885.27 per £1,000 nominal of Notes of £50,000 nominal and £88.52 per coupon from Notes of £5,000 nominal.



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100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
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100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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COMPANY NEWS: UK

UK newspapers contributed lion's share of turnover and profits

Trinity rises 32% to £19.9m

By Ian Hamilton Fazey,
Northern Correspondent

Trinity International, the Chester-based regional newspaper publisher, made pre-tax profits of £18.85m last year, an increase of 32 per cent on 1992's £15.08m, which was restated in accordance with FRS 3.

Operating profits jumped from £18.1m to £20.85m, including £418,000 from acquisitions. Mr Philip Graf, chief executive, said: "This is our best operational performance to date."

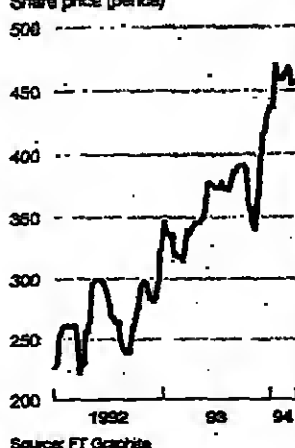
Trinity, which owns daily newspapers in Liverpool and Merseyside, North Wales, Canada and the US, has changed tack since 1988 by divesting from paper making and concentrating on newspaper publishing.

Last year it fully integrated Scottish and Universal Newspapers, bought in 1992, and spent £12.4m buying Huddersfield Newspapers and £23.2m acquiring the newspaper interests of Argus Press, based in southern and south-east England.

Turnover advanced by 16.5 per cent from £115.4m to

Trinity International

Share price (pence)



Source: FT Graphics

£134.4m with UK newspapers responsible for £79.4m - 59 per cent of sales compared with 54 per cent.

UK newspapers also made the lion's share of profits with £16.7m, or 75 per cent of the whole.

Canadian and US operations benefited from senior management changes, new titles and marketing initiatives, improving profit contributions to



Philip Graf: best operational performance to date

£2.96m (£1.77m) in Canada and £2.17m (£1.81m) in the US.

Mr Graf said Trinity would be trying to expand further by innovation, product development and acquisition, but was not at present involved in serious discussions over buying more newspapers.

Gearing rose from 14.5 per cent to 50 per cent, reflecting the latest acquisitions.

Earnings per share show a 40 per cent rise to 20.2p (14.4p restated).

A proposed final dividend of 6.7p (6p) lifts the total by 1p to 9.7p.

COMMENT

Profitability in the regional press is notoriously dependent on local classified advertisements for jobs, homes and second-hand cars, as well as display advertisements by retailers. If Trinity is to keep it up, the strength of the UK recovery will become more important as acquisitions become harder to find. Short-term, however, Trinity has one last cost squeeze to exploit: the Argus titles acquired in November are among the last in western Europe where journalists still use typewriters. Moving to computerised direct input and cutting out a stage in the production process should yield substantial gains in productivity and profitability over the next two or three years, though managing such change in the newspaper industry always carries some risk of conflict and interruption to revenues.

Lincat up 25% but warns on full year

Lincat Group, USM-quoted designer and manufacturer of commercial catering equipment, lifted pre-tax profits by 25 per cent to £665,000 in the first half of 1993. But Mr Martin Craddock, chairman and chief executive, said he was cautious about the outcome for the full year.

The shares fell 9p to 220p yesterday.

The profit was achieved on a 10 per cent rise in turnover from £6.51m to £7.17m, but behind the result there was a mixed response from the subsidiaries.

Mr Craddock said that the main subsidiary, Lincat, had a



good first half with turnover up 18 per cent and profit 11 per cent.

At Colbrook turnover was held and there was a small profit compared with a loss. Because of the way contracts fell, turnover at Corsair fell by 9 per cent with marginally reduced profits but there was progress in most areas.

Douglas lifted turnover by 10 per cent and profit by 29 per cent. Sales of Lincat in the US grew by 36 per cent.

Mr Craddock said current order levels were slightly lower than could normally be expected at this time. However, the interim dividend is increased from 2p to 2.5p - last time a total of 9p was paid from profits of £1.4m.

Trafficmaster for market at £28.7m

Trafficmaster, a Luton-based company which claims to offer the world's first commercially available on-board traffic monitoring system, is coming to the market with a capitalisation of £28.7m, writes Andrew Bolger.

Allied Provincial has placed 7.5m Trafficmaster shares with institutions at 138p each. Dealings begin on March 31.

Mr David Martell, the chief executive, said the marketing had been very well received and the flotation would raise £7.17m in new money - more than originally planned.

Trafficmaster has installed infra-red sensors which monitor traffic speed, transmit it by radio to a central computer and then feed the information to visual display units in subscribers' vehicles, advising motorists of the average speed and direction of any hold-up.

The system already covers more than 1,000 miles of motorways and trunk roads in the south of England and the Midlands and part of the Nottinghamshire and Lincolnshire area. The network will be used to extend the system to cover the main motorways in England, Wales and Scotland by the end of this year, and main trunk roads during 1995 and 1996.

The directors said that once the network was complete revenue from each subscriber should push profitability up quickly.

MTM share placing to help fund £12m acquisition

By David Wighton

MTM, the chemicals company which sold most of its businesses last year to repay its bankers, is proposing its first acquisition since its financial reconstruction.

It is to pay up to £11.8m for Colistewart Minchem, a minerals and chemicals processor which was a £5.5m management buy-out from Benjamin Priest in 1988.

The purchase will be funded partly by a placing of 9.7m shares at 60p, for which existing investors can apply on a 3-for-8 basis.

Hill Samuel, the merchant bank, has also placed most of the shares which MTM's bankers agreed to swap for £28.9m of their loans last April.

In August, MTM outlined a new strategy of acquiring technology-related businesses which are either profitable, cash-generative and with strong management team, or are emerging businesses which are expected to be

profitable within 12 months.

Colin Stewart Minchem falls into the first category. Based in Winsford, Cheshire, it processes minerals and chemicals mainly for the detergent industry which accounts for 80 per cent of its sales.

One of the three leading detergent companies provides a "substantial" proportion of its gross profits.

Ignoring one large contract in 1991 sales and operating profits of CSM have risen steadily, reaching £10.7m and £2.08m respectively in the 12 months to March 1993.

Mr David Swallow, MTM chairman, said the initial consideration of £10.5m represented 9.5 times fully taxed earnings for last year with the multiple dropping to 6 if the vendors earn the additional consideration of £1.3m. This requires operating profits of £2.8m next year.

After the acquisition MTM will have net cash of £5m and net assets of £15.8m. MTM also announced a pre-tax

loss of £12m for 1993, down from £59.2m in 1992. The remaining agrochemicals business made an operating profit of £300,000 on turnover of £21.1m.

After head office costs the continuing activities made an operating loss of £318,000.

Broker House Govert is provisionally forecasting profits of £2m this year for earnings per share of 5p after 15 per cent tax.

COMMENT

Given the valuations of most chemicals companies these days this deal looks almost suspiciously cheap, though there is always a risk of Colin Stewart's main customer walking away. MTM will now be hard pushed to repeat the trick by finding a decent earnings enhancing acquisition which can be funded by shares on a multiple of only 12. But a company fresh from a near-death experience and still looking for a chief executive can scarcely expect much better.

RPS shows 13% growth to £825,000

RPS Group, the USM-traded environmental consultancy, maintained growth in the second half of 1993 to end the year with pre-tax profits up more than 13 per cent from £727,000 to £825,000. Turnover was £7.52m, against £7.82m.

Mr Roger Looker, chairman, said that "as one of the leading companies in the sector with a strong balance sheet and positive cash balances, we will benefit from the inevitable increase in the importance of environmental issues."

Trading and cash flow in the first quarter of 1994 gave cause for optimism, he added. Cash flow was positive for the third successive year and overall cash balances were up by £251,000 and stood at £245,000 at the year end. The company paid off all remaining debt in the first half and had no debt at December 31.

Earnings per share edged ahead from 4.82p to 4.87p, while a final dividend of 1.3p raises the total for the year to 2.4p (2.2p).

Derwent Valley jumps to £2.54m

By Simon Davies

Derwent Valley Holdings, the London-focused property investment company, reported a sharp jump in pre-tax profits from £896,000 to £2.54m in 1993, helped by lower interest payments and rising rental income.

The company, which announced a £16.5m placement last July, has seen net asset value per share rise 8.5 per cent to 54p (50p) since the issue, and anticipates further increases in 1994.

Mr John Ivey, chairman, said: "Prospects for 1994 are encouraging. Management will continue to maximise the potential of the portfolio and acquire further properties." The company has purchased £23.8m of properties since July.

Net revenue from properties amounted to £7m in 1993, compared with £6.4m in the previous year. Debt servicing costs fell from £3.1m to £2.5m in

1993, due to falling interest rates, and the fact that purchases were timed towards the end of 1993.

Net borrowings, however, climbed 56m to £34.7m as a result of acquisitions, representing gearing of 55 per cent.

The company's portfolio has remained well let, with void space of 32,000 sq ft at the year end, of which 26,500 sq ft were accounted for by newly refurbished offices.

About 85 per cent of Derwent's portfolio is located in the West End of London, and the company said there were already signs of an improvement in the rental market. It has a number of planning consents for developing its portfolio, to enhance its performance in a rising market.

Earnings per share more than doubled to 20.8p (10.2p). The directors recommended a final dividend of 6.05p, making a total of 9.1p (8.6p) for the year.

Boost from Laidlaw helps Quicks advance to £3m

By Paul Taylor

Quicks Group, the Manchester-based motor distributor, reported a 48 per cent increase in 1993 pre-tax profits to £3.04m yesterday, up from £2.06m the previous year.

Turnover grew by 27 per cent to £253m (£199m) almost entirely reflecting a £52m contribution from the Laidlaw group of five Ford main dealerships, which were acquired in July last year.

Earnings per share from the enlarged group, which now consists of 18 car dealerships, 10 of which are Ford, increased by 22 per cent to 9.5p (7.8p) and the final dividend is being raised to 3p (2.75p) making a 5p (4.5p) total for the year.

Operating profits grew by 23 per cent to £4.51m (£3.68m) including a £336,000 contribution from Laidlaw, while net interest costs fell to £1.47m (£1.8m).

The group noted that the recovery apparent in the first half continued into the second half with pre-tax profits, on an equivalent basis, at £1.61m compared with £350,000 for the 1992 period.

Mr Alec Murray, managing director, said that this near doubling of second-half profits reflected the continuation of strict management controls following the installation of the new management team in late 1991, and in particular the profit impact of the run-down of the group's leasing activities.

Quicks' overall new car registrations had exceeded manufacturers' targets and the sales of used vehicles had been higher than the previous year's total.

Despite difficult market conditions the group's service, bodywork and parts distribution business also continued to be profitable. Mr Murray stated that "margins in every part of our business have remained under pressure for the whole year", but added that "management action to further reduce the cost base has helped offset margin erosion."

So far this year trading conditions had improved with registrations of both cars and commercial vehicles ahead of last year.

"The market remains highly competitive, but it is encouraging that Ford has begun to strengthen its position", Mr Murray said.

Sema sells I-Linie software for £1.5m

By Alan Cane

Sema Group, the Anglo-French computing services company, has abandoned attempts to succeed in the marketplace with I-Linie, the manufacturing management software it hoped would be the cornerstone of its packaged software business.

The directors said yesterday that the company had sold the I-Linie business to CGI, a French subsidiary of International Business Machines, for about £1.5m cash. The deal is subject to the approval of the German competition board.

Sema, which has turnover last year in excess of £500m and pre-tax profits of £24.9m, acquired I-Linie through the purchase of ADV Orga, a German software packages company in 1989. It has since spent several million pounds of research and development funds, in conjunction with IBM, to develop the product.

I-Linie, a financial, accounting and human resources package was seen by Sema as competition for B3, a successful package from SAP, the German software house.

Sema's corporate plan calls for the company to achieve 60 per cent of turnover from systems integration, 25 per cent from facilities management and 15 per cent from software packages. The company's packages business, excluding I-Linie, currently accounts for 5 per cent of turnover.

The directors stated that the company would retain a presence in the software packages which it continued to see as strategic to its development.

World of Leather in the red

World of Leather, the USM-quoted furniture retailer, ended 1993 with a pre-tax deficit of £121,000, after taking account of a £406,000 exceptional charge representing the costs of a contractual dispute with its former warehousing and distribution company.

The dispute was resolved in an out-of-court settlement just before the year end, and involved a £150,000 payment by World of Leather.

The pre-tax outcome compared with £44,000 profits last time and came from turnover up from £25.6m to £27.3m. Operating profits, before exceptional items, increased from £226,000 to £288,000.

The improvement here, the company said, was achieved through improved margins - up from 44.8 per cent to 47.1 per cent - which more than offset higher distribution charges and administrative costs.

On December 26 the company opened its first new store for nearly four years, increasing the number of outlets to 29.

Losses per share came out at 2.4p (0.1p earnings). The directors said that provided there was no deterioration in the current level of trading it was hoped the company would return to the dividend list this year. The last payment was in 1989.

Holders' rise held to 13%

Holders Technology, the USM-quoted supplier of tools, materials and equipment to the European printed circuit board industry, lifted pre-tax profits by 13 per cent, from £394,000 to £446,000, in the year ended November 30 1993.

Mr Rudolf Weinreich, chairman and chief executive, said the result was affected by currency, one of its larger UK customers, going into receivership. That left it with a bad debt of £54,000, thus reducing the profit growth to about half of what it would otherwise have been.

Turnover rose from £3.48m to £4m. Mr Weinreich said that in the current year the group expected to see increasing sales of the Espanex adhesives flexible circuit materials which it distributes across Europe.

He added that the outcome for the year would depend on the group's success in shifting the product mix in favour of higher margin items.

Earnings per share rose to 9.25p (8.07p). An unchanged final dividend of 4p is proposed to maintain the total at 6p.

COMPANY NEWS: UK AND IRELAND

Buoyant result masks a growing focus on price in the marketplace

Iceland ahead 18% to £65.2m

By Peggy Hollinger

Iceland, the frozen and chilled foods retailer, yesterday warned it was beginning to feel the pressures of an increasingly price sensitive environment, in spite of an 18 per cent increase in annual pre-tax profits to £65.2m.

Mr Malcolm Walker, the chairman and chief executive, said there was a growing focus on price in the marketplace. While Iceland was insulated from the worst effects of price cutting, by carrying a smaller proportion of the most vulnerable items such as bread and milk, "we are not immune from the problem," he said.

Like-for-like sales in existing stores in the first few weeks of the year were running about 2 per cent lower, partly because

of the effects of lower prices. This followed a sharp slowdown in comparable sales growth last year, from 7 per cent in the first half to 3 per cent in the second.

However, Mr Walker said he was confident the group would advance this year. Gross margins had stabilised, and the Iceland outlets at Littlewoods were expected to contribute profits in 1993.

Sales for the group as a whole were 14 per cent higher at £1.18bn for the 52 weeks to January 1. The period compared with 53 weeks in 1992.

New Iceland stores contributed 6 points of the increase, with the Littlewoods outlets a further 4 points. Like-for-like sales were 5 per cent ahead, with nil inflation.

The group opened a record 103 new stores, including 43 Littlewoods food halls. Mr Walker said Iceland planned to open a minimum of 50 stores this year.

Higher capital expenditure of £10m, against £6m last time, helped to push up debt from £65m to £70m. Debt as a proportion of shareholders' funds fell from 40 per cent to 32 per cent.

Iceland's foray into France, which has cost £4m so far, was disappointing. Mr Walker said Iceland would not invest any further and would decide by the end of the year whether to remain in France.

An improved final dividend of 2.6p is proposed for a total 14 per cent higher at 3.8p. Earnings were 14 per cent ahead to 15.6p.

COMMENT

Many analysts have been left scratching their heads after this set of figures. Second half sales were much lower than expected and losses at Littlewoods and in France were also higher than forecasts. Yet profits were in line with expectations. Cost-cutting and improved buying power may explain some of the profits achievement, but many question whether this is sustainable. Iceland also appears to be struggling for comparable sales, which have fallen from growth of 10 per cent to a negative 2 per cent in less than 12 months. The bears have cut forecasts from 27p to a flat 26p. While the multiple of 11 appears attractively low, this is likely to reflect a degree of pessimism over the longer term.

Fags held back by lower copper prices

By Kenneth Gooding, Mining Correspondent

Sharply lower international copper prices held down the 1993 profits of Antofagasta Holdings, which has mining, banking, rail and water distribution interests in Chile. The group's pre-tax profits slipped from £23.5m to £23.1m.

Earnings per share increased by 22.5 per cent to 73.5p, however, after a strong performance by associate companies, reflecting growth in the Chilean economy.

Antofagasta is lifting the total dividend by 1p to 21p with a final payment of 15p (14p).

Pre-tax profits of the group's mining operations fell from £6.65m to £5.1m. The directors pointed out that during last year the average global copper price fell by 16 per cent from \$1.03 per lb to 87 cents.

In December the group's Michilla mining operations were merged with those of Lince, and ore from both mines is now processed through a solvent-extraction-electro-winning plant at Lince. This process was not previously available to Michilla.

A £7.2m provision has been made for the write-down of mining assets associated with the previous process.

Pre-tax profits from the railway operations increased from £3.7m to £4.1m and income from associated undertakings was up from £12.3m to £13m.

There was an £8.25m profit on disposal of part of Banco O'Higgins, merged last year with the Chilean subsidiary of Banco Central Hispanoamericano de Spain (CentroHispano Bank).

Group turnover was up from £72.1m to £86.7m. Administration expenses jumped from £11.8m to £18.6m, mainly because of the inclusion of an extra £4m costs at the Lince mine which became operational from only the second half of 1992.

Another firm in extra costs was incurred from the closure of Michilla.

Acquisitions help lift Avonmore to £29.2m

By David Blackwell

Avonmore Foods, the expanding Irish dairy and meat processor, lifted turnover last year by 35 per cent to more than £1bn, while pre-tax profits rose by 17 per cent from £25m to £29.2m.

Turnover totalled £1.13bn (£1.09bn) against £831m. Mr Brendan Graham, group secretary, described passing the £1bn turnover mark "as an important and significant milestone in the growth of Avonmore as an international food group."

More than 73 per cent of turnover was generated overseas, against 66 per cent in 1992.

The company attributed the rise to organic growth and acquisitions, of which the most important was the purchase last July for £21.2m of the Birmingham area operations of Dairy Crest. This gave the

group almost 8 per cent of the UK's liquid milk market.

Total sales for the dairy group were up 35 per cent to £572m (£542m), helped by strong UK milk and US cheese sales. Operating profits on the dairy side increased from £18.5m to £24.2m, giving margins of 4.3 per cent.

Operating margins in the meat division improved in the second half from 1.8 per cent to 2.6 per cent - still below the 1993 levels.

Turnover for meat was 50 per cent ahead at £454m, reflecting the integration of the acquisitions.

Earnings per share were 18.5 per cent ahead at 14.59p (£12.11p). A final dividend of 2p is proposed (1.85p), bringing the total for the year to 3.55p (£3.3p). Mr Graham said the group expected to make further advances this year as it continued to consolidate its acquisitions.

COMMENT

The tough conditions in its markets make this a satisfactory performance for Avonmore, which has grown rapidly through acquisition. It could be argued that although margins are tight, the company is still making returns and has plenty of room for improvement. The management runs a tight ship, but the company could be said to be driving towards the big league too hard and too fast. While the core dairy business looks good, the company has to negotiate the changes looming in the UK milk market. It is not so familiar with the meat sector, which appears to be giving some problems. Analysts are expecting earnings to increase by about 9 per cent this year as the tax charge rises, putting the company on a prospective multiple of around 10.5 - fair value in the sector.

Robert Wiseman Dairies valued at £64m in float

By Maggie Urry

Robert Wiseman Dairies, the Scottish liquid milk processor and distributor, priced its flotation yesterday at 100p a share, valuing the group as a whole at £63.7m.

A total of £16.1m has been raised through an institutional placing, completed yesterday.

The placing gives £14.5m net new money to the group, with the sale of 15m shares, and a further 1.6m shares have been placed on behalf of family members. The family is also taking £3.5m in a special dividend before the current year end on April 2. The float will leave the Wiseman family with nearly 74.8 per cent of the group, and, barring large acquisitions for shares, the family expects to retain control for some years to come.

The group is forecasting pre-tax profits for the current year of not less than £5.09m (£3.15m), including a £227,000 exceptional profit on the sale of an investment. Excluding that profit, earnings per share are forecast at 6.61p (6.14p).

giving a p/e at the issue price of 15.1. The notional net dividend for the year to April 2 is 2.5p giving a yield of 3.12 per cent, covered 2.6 times.

The group, which has just acquired Mackies dairy in Aberdeen, has 21 per cent of the Scottish milk market, but only 2 per cent of the UK market. It specialises in supplying multiple retailers, which now take 65 per cent by volume of the group's milk.

Mr Alan Wiseman, executive chairman, said that by being a low cost producer, the group could make good margins from selling to supermarkets in spite of low prices.

Wiseman has expanded into England with the purchase of a dairy in Manchester in 1991 and now plans a sizeable investment programme there. With the Manchester project and other investments the group plans to spend £14m over the next two years before any acquisition using the cash raised in the float.

Dealings in the shares start on March 28. The placing was arranged by Panmure Gordon.



Alan Wiseman (left) with managing director Robert Wiseman and Hayleys Promise Gloriette, a black and white freisian

Bourne End reduces deficit to £55,000

By Simon Davies

Bourne End Properties, the property investment company, achieved a small profit in the second half of 1993, resulting in a reduced pre-tax loss of £55,000 for the year, against a deficit of £1.7m in 1992.

The company successfully pushed through a 3-for-1 rights issue late last year, which has transformed the company and given rise to a more aggressive investment policy.

At the December 31 year end, borrowings had increased almost threefold to £106m, but net asset value per share rose

12p to 85p and gearing was more than halved from 500 per cent to 230 per cent.

During 1993, net rental income increased from £3.47m to £3.61m, while net interest payable fell from £4.22m to £3.34m.

Mr Leo Nee, chief executive, said that rental income was currently 1.3 times interest payable, despite a further £21m of acquisitions announced in February. The company is comfortable with current debt levels.

"If the market continues to improve, we would be doing our shareholders a disservice if we reduced our gearing by much," he added.

Bourne End has renegotiated its debt, and more than half is now fixed for between 15 and 20 years, at interest rates of below 10 per cent.

The company's property portfolio was valued at £147m in December, representing upward valuations totalling £11.9m, of which £5.5m was on properties owned before 1993. Bourne End's net worth increased from £39m to £45m.

Losses per share were reduced to 0.4p (8.3p) and a final dividend of 0.25p is proposed, maintaining the total for the year at 1p.

Secure Trust edges ahead to £7.6m

By Alison Smith

Secure Trust, the financial services group, yesterday reported a 4 per cent increase in pre-tax profits from £7.32m to £7.61m for 1993.

Net interest income rose to £4.01m (£3.42m), helped by the group's acquisition of Peoples Bank during the year, which is estimated to have contributed some £500,000 in interest income. Fees and commission income rose to £14.5m (£13.9m).

The group's main activities comprise its household cash management service, its banking service, and motor and general insurance business.

Provisions for bad and doubtful debt fell sharply from £320,000 to £296,000.

The board proposes a final dividend of 10.5p per share, which gives a total of 15p (13.5p) for the year, an increase of 11 per cent. Earnings per share rose to 35.3p (34.3p).

Mr Henry Angest, chairman

and chief executive, described the profit growth as steady rather than spectacular. He envisaged future growth coming from the group's banking activities, through developing facilities such as the cheque book and cash card currently available to Peoples Bank customers.

The group is also looking to expand its geographical spread beyond the Midlands and Bradford where it is based at present.

Mr Angest acknowledged that administrative expenses, at £10.16m (£9.21m) against an operating income of £18.54m (£17.31m), were high, but attributed this partly to the cost of meeting regulatory requirements.

In December the group launched a telephone-based motor and household insurance service - SecureDirect - in response to inroads in its business from other telephone insurance services.

NEWS DIGEST

Warning hits Motor World shares

Shares of Motor World Group, the car parts and accessories retailer which floated in February last year, fell 14p to 314p yesterday following an adverse trading statement at the annual meeting.

Shareholders were told that the exceptionally wet winter weather had resulted in a customer fall-off which had affected retail sales during the opening half year.

However, this was partially offset by increased spending per head and, in the light of an increase in the number of branches from 180 to 208, the board said it was "quietly confident" in the outcome for the current year.

dropped from £610,000 to £562,000, equivalent to 7.49p (8.13p) per income share. The final dividend is held at 2.4p for a same-again total of 7.2p.

American Trust

American Trust, which invests mainly in US equities, increased net asset value by 16 per cent from 265.2p to 306.9p at the end of January 1994.

Net earnings in the year grew from £4.02m to £4.58m and fully diluted earnings per share were ahead 14 per cent at 5.46p (4.76p). The recommended final dividend is 3.6p (3.4p) for a total up from 4.9p to 5.4p.

Reflex Group

Reflex Group, the computer services and software company based in the Irish Republic, returned to profit in the year ended December 31.

The pre-tax figure came out at £1619,000 (£396,000) against a loss of £14,58m for the eight months to December 31 1992, when the figure was hit by £12.18m written off to reserves. The 1993 pre-tax profit was also boosted by a write-back of £1294,000 of provisions for losses on discontinued operations against a write-down of £1488,000.

Turnover was ahead at £38.1m (£35.58m). Earnings per share were 4.25p (36.85p losses).

Trace Computers

Falling interest rates, reduced borrowings and an improving market helped Trace Computers, the software specialist, increase interim pre-tax profits from £105,000 to £216,000.

Turnover for the six months to November 30 was also ahead, at £9.94m (£8.84m). Earnings per share were higher at 1.23p (0.58p) and the interim dividend is again 0.55p.

Law Debenture

Net assets per share of the Law Debenture Corporation rose by 30 per cent to 667.3p at the end of December 1993, against 514p a year earlier.

Net earnings for the year improved from £4.57m to £4.98m, equivalent to 21.91p (20.07p) per share. The dividend total is raised by 1p to 19.25p with a 12.75p final.

Berry Starquest

Berry Starquest, an investment trust, had a net asset value per share of 338.6p at the year end January 31, against 200.1p six months earlier and

170.7p at the previous year end. Net revenue for the year fell from £160,000 to £126,000 for earnings per share of 2.4p (3.1p). An unchanged dividend of 2.2p is proposed.

B Gifford Japan

Net asset value per ordinary share of the Baillie Gifford Japan Trust stood at 789.2p at February 28, a decline of 3.5p on the figure standing at the August 31 year-end.

Available losses for the half year to end-February totalled £209,562 (£58,827) and losses per share were 1.9p (0.63p).

Lon & St Lawrence

Net asset value per share of Lon & St Lawrence Investment Trust stood at 182.45p at February 28, against 175.32p six months earlier and 157.06p at the previous year end.

Net revenue for the year more than trebled from £513,323 to £1,599m and earnings per share were 5.14p (2.7p). In November last year the trust merged with its associate company, Practical Investment Company, and in line with its stated intention to pay an interim dividend in May each year, the trust has announced a pay-out of 3.12p this time.

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COMMODITIES AND AGRICULTURE

Oil price reaches \$14 ahead of Opec meeting

By Robert Corzine

Oil prices edged upwards yesterday in advance of the meeting in Geneva on Friday of the Organisation of Petroleum Exporting Countries.

The price of the benchmark Brent Blend for May was hovering just above the \$14 a barrel level in late London trading yesterday. That compares with a closing price of \$13.77 on Monday.

Part of the price increase was attributed to storms in the North Sea, which prevented tankers from loading at Norway's Statfjord and Gullfaks fields. Loading operations at Norway's two offshore terminals, Mongstad and Sture, were also affected by bad weather.

Mr Peter Gignoux, a trader at the London office of Smith Barney, said evidence of "a bit more demand from refiners" was also helping to underpin the market.

The firmer price coincided with a growing belief in the markets that Opec oil ministers may choose to roll over the present production quota

of 24.25m barrels a day, rather than try to engineer a cut in output to boost prices.

"They are waiting for demand to bring the price up," according to Mr Joseph Stanislaw at Cambridge Energy Research Associates in Paris. He said that an extension of the quota for at least the next two quarters could be portrayed in a "constructive and positive" light. "The longer they say this is the right quota the better it would be for the markets," he added.

Unlike previous Opec meetings there has been little public evidence of pre-meeting consultations between member states. Nevertheless analysts say the roll-over may emerge as the preferred option because a small cut in quotas of say, 500,000 bpd would be unlikely to have a lasting impact on prices and would simply give away market share to independent producers.

A larger cut of 1m-1.5m bpd could provoke a sharp rise in prices, but it would also raise doubts whether some Opec producers would abide by it.

BP set to explore in China's Tarim basin

By Robert Corzine

British Petroleum has become the latest international oil company to secure an agreement to explore for oil in the remote Tarim basin in western China.

Under the terms of the agreement with the China National Petroleum Corporation BP Exploration and four Japanese partners will spend three years on a seismic programme, after which they will have an option to begin exploration drilling.

The consortium's commitment is on a relatively small scale, thought to be around \$3m for the seismic operation. Other foreign companies which have recently reached exploration agreements in the area include Exxon and Texaco of the US, Agip of Italy and a number of Japanese companies.

The Tarim Basin has long been viewed with interest by foreign companies, but its remote location and lack of infrastructure means development of any oil finds are likely to be long-term projects.

Brussels' cheese-paring irritates Italians

John Simkins reports on resistance to a proposal to reduce the country's milk quota

Italy's milk producers are strongly resisting a proposal by the European Commission to reduce an increase in their quota just as they believe they are getting back on track after years of over-production.

Their anger is directed at Mr Renato Steichen, the agriculture commissioner, who has decided that an agreed increase of 900,000 tonnes in Italy's annual milk quota, taking it to a total of 9.9m tonnes, should be reduced by 350,000 tonnes in 1994-95.

A hot reception awaited Mr Steichen earlier this month when he was to attend the opening of Italy's agricultural trade fair in Verona, but the commissioner had second thoughts and stayed away. In response, Italy's three big farming associations also boycotted the event. However, the producers are likely to come from him at Brussels on March 23 and 24 when the European

Union's agriculture ministers will discuss the Italian quota. Italy, which is a net importer of milk, admits to having violated milk quotas for much of the 1980s and Denmark, Britain and the Netherlands were reluctant to see its quota increased. But the 9.9m tonne quota was granted in the light of Italian commitments to bring production down from an estimated 11.5m to 9.9m by the end of March 1985. As a first stage, Italy was expected to reduce production to 10.5m by the end of this month.

The commission believes Italy is not meeting the demands made of it. Whereas Spain and Greece have had quota increases confirmed - the latter only provisionally - it has therefore shaved Italy's.

The decision will make it easier for the commission to win the approval of the 12 EU countries for a suggested 1 per cent cut in quotas in 1994-95. "The market is fragile and bal-

ance is maintained by quotas on the one hand and subsidising outlets on the other," according to a spokesman for the agriculture commissioner. "There is no guarantee the balance will continue and there is a serious danger of intervention stocks building up without the cut in quotas."

Mr Alfredo Diana, Italy's agriculture minister, retorts that Mr Steichen has acted too hastily and that Italy had not until the end of this month to present evidence of the results of a costly overhaul by the ministry, which has subjected 130,000 milk producers to quota controls. The Italians hope that this data will enable Mr Steichen to amend his proposal and he is in close touch with Mr Diana. However, if the cut is confirmed, Italy may face more financial penalties on top of the 1.2,500m (1.12bn) that Confagricoltura, the farming

association, estimates it must pay for violating past quotas.

The herd-by-herd examination revealed widespread abuses, such as quotas being claimed by defunct businesses, which disqualified 35,000 farms. The commission claims that at one time quotas were issued for over 12m tonnes, compared with production estimated by the Italians at 11.5m.

Confagricoltura admits and Confagricoltura admits that the abuses date back to a period when Italy "paid too little attention to quotas".

Mr Steichen has complained Mr Diana on the progress made but it is only in the past 18 months that Italy has signalled a serious attempt to get output in line with quotas. Italy has always objected to the system, mainly because it imports 80 per cent of its annual 12m tonne consumption and has not wished to curb development of its domestic producers. Production is concentrated in the north and

transport costs make fresh milk expensive in much of the south.

"It seems nonsense to cut 350,000 tonnes of quotas from a country that imports," says Mr Walter Luchetti, a director general at the agriculture ministry. Mr Luchetti rejects suggestions that Mr Diana's efforts to reduce production have met with resistance within Italy's fragmented milk industry. "Our producers have accepted the regulations and are making great efforts to comply," he says.

Confagricoltura says that much of Italy's milk is used to make cheese, which is not in surplus in the EU, and is sceptical about the effectiveness of quotas as a method of balancing the market. "But we are serious about resolving the milk issue because this is essential to give us negotiating influence in other agriculture reforms," says the association.

MARKET REPORT

Silver leads gold to two-month high

The London GOLD price was fixed at the highest level since January 20 after a buying spree, which started in the silver pit of the New York Commodity Exchange, set-off buying on the gold market.

The yellow metal ended at \$389.25 a troy ounce, while SILVER was up 16 cents at \$5.74 an ounce.

The market had been very steady before the futures opened, buoyed by continuing tensions in South Africa and concerns over the deployment of US missiles in South Korea.

At the London Metal Exchange COPPER edged up

LME WAREHOUSE STOCKS	
(As at Monday's close)	
	tonnes
Aluminium	+1,625 to 2,598,150
Aluminium alloy	-80 to 45,820
Copper	-1,950 to 514,075
Lead	-350 to 351,550
Nickel	-354 to 128,200
Zinc	-4,000 to 1,091,450
Tin	+250 to 25,250

on the back of commission house and merchant buying, although the move failed above \$1,950 a tonne, for three months delivery, which dampened sentiment in other metals.

Three months ALUMINIUM ended the day at \$1,344 a

tonne, down from its high of \$1,340 but up on Monday's \$1,328 close. Speculative and merchant sales were blamed for the fall.

London COMMODITY EXCHANGE COFFEE futures set fresh highs. The May position, climbing to \$1,355 a tonne before ending the day at \$1,354, up \$23.

Some dealers said they were slightly surprised by the rise, which they thought might reflect a trade house buying in London and selling in New York.

Compiled from Reuters

Underbidders hope for Chilean deal

By Kenneth Gooding, Mining Correspondent

Magma Copper of the US and Broken Hill Proprietary, Australia's biggest company, still hoped to win control of the El Abra project in Chile, one of the world's biggest undeveloped copper deposits, Mr Burgess Winter, the president of Magma, said yesterday.

Codelco, the state-owned Chilean copper group, put \$1 per cent of El Abra out to tender last year and in October Cyprus Lac bid for the project. Its partner, Lac Minerals of Canada, was first past the post offering US\$404m and an undertaking to spend \$307m on the project.

However, in February, Cyprus Lac said tests they had made to confirm previous estimates showed reserves at El Abra might be significantly lower than previous data suggested and they might have

to renegotiate the deal. Codelco has given them until May 15 to complete.

Mr Winter said that, if negotiations between Codelco and Cyprus Lac broke down, Magma-BHP would press for El Abra to pass to them as the second-highest bidder rather than be put out to tender again.

He said Magma-BHP had bid high for El Abra, offering US\$240m, some \$10m ahead of RTZ of the UK, third past the post. The gap between the Magma-BHP and Cyprus Lac bids was explained by the fact that Magma-BHP's test work suggested that El Abra could support annual output of 160,000 tonnes of copper whereas the highest bidder was looking originally for 225,000 tonnes. "We thought that was impossible," said Mr Winter.

Under the rules Codelco set for the tender, failure to conclude a deal with the highest

bidder was to have resulted automatically in the start of negotiations with the under-bidder.

However, Mr Winter pointed out that Chile's recently-elected new government had changed virtually all of Codelco's senior executives "so at the moment it is difficult to find someone to talk to".

Some analysts have suggested that the disagreement over El Abra is extremely embarrassing for Codelco as the deal, the first sale of a big ore body by the group, was supposed to set a pattern for other privatisations. It also coincided with revelations that a relatively junior executive had lost US\$207m in copper futures trading.

Mr Winter, in London to speak to investors, said Magma expected the copper price to reach \$1 a lb by the end of this year against last night's London Metal Exchange three-month price of \$0.6 cents.

Commodity price gains forecast for 1994-95

By Nikki Tait in Sydney

World commodity prices are forecast to rise by 5 per cent in 1994-95, regaining with interest the estimated overall fall of 2 per cent seen in 1993-94.

According to a report from the Australian Bureau of Agricultural and Resource Economics, commodity prices overall reached a nadir in the first half of 1993-94, but recovered with a 6 per cent rise in the first quarter of this year and are expected to show a further 1 per cent increase in the second quarter. In the next fiscal year Abare suggests demand will strengthen as more countries move out of recession, and tighter supply conditions persist, particularly for rural products like sugar, cotton and rice.

As far as specific commodities are concerned, Abare pre-

dicts that the world gold price should rise by about 7 per cent in 1994, to average US\$385 an ounce over the year (close to the present level). The forecasters suggest that the price rise will result from increased jewellery fabrication and investment demand, spurred by the general improvement in economic conditions.

Abare also sees a firming of the wool prices in 1994-95, as strengthening demand from western Europe and, to a lesser extent, Japan outweighs some upward revisions to expected level of the Australian wool production. It suggests that the market indicator price could increase by about 9 per cent, to average \$55.30 a kilogram clean. However, the average market indicator for 1993-94 is put at around \$48.50, still marginally below the previous year's figure.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp/London Metal Trading)

■ ALUMINIUM, 99.7 PURITY (50 tonnes)

Close 1313.5-4.0 1336.5-4.0

Previous 1309.9 1335.5

High/Low 1309.9 1342.3/33.3

AM Official 1314.5-4.0 1338.5-4.0

Kerb close 1314.5-4.0 1338.5-4.0

Open int. 271.041

Total daily turnover 36,251

■ ALUMINIUM ALLOY (50 tonnes)

Close 1270.5 1285.90

Previous 1265.00 1310.5

High/Low 1265.00 1310.1285

AM Official 1280.5 1285.90

Kerb close 1280.5 1285.90

Open int. 4.561

Total daily turnover 1,034

■ LEAD (50 tonnes)

Close 482.5-3.5 477.8

Previous 482.5-3.5 477.8

High/Low 482.5-3.5 477.8

AM Official 482.5-3.5 477.8

Kerb close 482.5-3.5 477.8

Open int. 33,392

Total daily turnover 3,953

■ NICKEL (50 tonnes)

Close 5620.30 5685.90

Previous 5620.30 5685.90

High/Low 5620.30 5685.90

AM Official 5620.30 5685.90

Kerb close 5620.30 5685.90

Open int. 50,848

Total daily turnover 9,177

■ TIN (50 tonnes)

Close 5475.00 5525.30

Previous 5475.00 5525.30

High/Low 5475.00 5525.30

AM Official 5510.2 5500.10

Kerb close 5510.2 5500.10

Open int. 10,462

Total daily turnover 5,176

■ ZINC, special high grade (50 tonnes)

Close 981.5-2.5 972.3

Previous 981.5-2.5 972.3

High/Low 981.5-2.5 972.3

AM Official 985.5-4.0 977.971

Kerb close 985.5-4.0 977.971

Open int. 109,531

Total daily turnover 15,717

■ COPPER, grade A (50 tonnes)

Close 1940.1 1952.3

Previous 1933.4 1952.3

High/Low 1940.1 1952.3

AM Official 1940.1 1952.3

Kerb close 1940.1 1952.3

Open int. 224,738

Total daily turnover 60,222

■ LME AM Official 5/8 rate 1.4870

LME Closing 5/8 rate 1.4822

Spot 1 4870 3 mths 1.4825 6 mths 1.4803 9 mths 1.4787

■ HIGH GRADE COPPER (COMEX)

Close 34.25 34.25

Previous 34.25 34.25

High/Low 34.25 34.25

AM Official 34.25 34.25

Kerb close 34.25 34.25

Open int. 251,283

Total 70,188 12,903

PRECIOUS METALS continued

■ GOLD COMEX (100 Troy oz; \$/Troy oz)

Close 389.25 389.25

Previous 389.25 389.25

High/Low 389.25 389.25

AM Official 389.25 389.25

Kerb close 389.25 389.25

Open int. 145,011

Total daily turnover 14,906

■ PLATINUM NYMEX (50 Troy oz; \$/Troy oz)

Close 493.9 493.9

Previous 493.9 493.9

High/Low 493.9 493.9

AM Official 493.9 493.9

Kerb close 493.9 493.9

Open int. 21,858

Total daily turnover 2,477

■ PALLADIUM NYMEX (100 Troy oz; \$/Troy oz)

Close 135.0 135.0

Previous 135.0 135.0

High/Low 135.0 135.0

AM Official 135.0 135.0

Kerb close 135.0 135.0

Open int. 183.4

Total daily turnover 4,598

■ SILVER COMEX (100 Troy oz; \$/Troy oz)

Close 568.8 568.8

Previous 568.8 568.8

High/Low 568.8 568.8

AM Official 568.8 568.8

Kerb close 568.8 568.8

Open int. 21,858

Total daily turnover 2,477

■ CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Close 15.40 15.40

Previous 15.40 15.40

High/Low 15.40 15.40

AM Official 15.40 15.40

Kerb close 15.40 15.40

Open int. 15,321

Total daily turnover 2,218

■ CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Close 15.40 15.40

Previous 15.40 15.40

High/Low 15.40 15.40

AM Official 15.40 15.40

Kerb close 15.40 15.40

Open int. 15,321

Total daily turnover 2,218

■ CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Close 15.40 15.40

Previous 15.40 15.40

High/Low 15.40 15.40

AM Official 15.40 15.40

Kerb close 15.40 15.40

Open int. 15,321

Total daily turnover 2,218

■ CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Close 15.40 15.40

Previous 15.40 15.40

High/Low 15.40 15.40

AM Official 15.40 15.40

Kerb close 15.40 15.40

Open int. 15,321

Total daily turnover 2,218

■ CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Close 15.40 15.40

Previous 15.40 15.40

High/Low 15.40 15.40

GRAINS AND OIL SEEDS

■ WHEAT LCE (50 tonnes)

Close 105.25 105.25

Previous 105.25 105.25

High/Low 105.25 105.25

AM Official 105.25 105.25

Kerb close 105.25 105.25

Open int. 1,136

Total daily turnover 4,341

■ WHEAT CBT (50,000 bushels; \$/bushel)

Close 22.94 22.94

Previous 22.94 22.94

INVESTMENT TRUSTS - Cont

RESERVE & HOTELS

AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Authorised Unit Trusts									
Compiled with the assistance of Lauto S.S.									
Initial Charge: Charge made on sale of units at the time of subscription. The amount of the charge is shown in the table. The charge is included in the price of the units. The charge is not refundable.									
Offer Price: The offer price is the price at which the units are offered to the public. The offer price is shown in the table. The offer price is not refundable.									
Cancellation Price: The cancellation price is the price at which the units can be redeemed. The cancellation price is shown in the table. The cancellation price is not refundable.									
Scheme Particulars and Other Information: This section contains details of the scheme, including the investment objective, the fund manager, the fund's assets, and other relevant information.									
Scheme Name									
1. ABC Unit Trust	2. DEF Unit Trust	3. GHI Unit Trust	4. JKL Unit Trust	5. MNO Unit Trust	6. PQR Unit Trust	7. STU Unit Trust	8. VWX Unit Trust	9. YZA Unit Trust	10. BCD Unit Trust
11. EFG Unit Trust	12. HIJ Unit Trust	13. KLM Unit Trust	14. NOP Unit Trust	15. QRS Unit Trust	16. TUV Unit Trust	17. WXY Unit Trust	18. ZAB Unit Trust	19. CDE Unit Trust	20. FGH Unit Trust
21. IJK Unit Trust	22. LMN Unit Trust	23. OPQ Unit Trust	24. RST Unit Trust	25. UVW Unit Trust	26. XYZ Unit Trust	27. ABC Unit Trust	28. DEF Unit Trust	29. GHI Unit Trust	30. JKL Unit Trust
31. MNO Unit Trust	32. PQR Unit Trust	33. STU Unit Trust	34. VWX Unit Trust	35. YZA Unit Trust	36. BCD Unit Trust	37. EFG Unit Trust	38. HIJ Unit Trust	39. KLM Unit Trust	40. NOP Unit Trust
41. QRS Unit Trust	42. TUV Unit Trust	43. WXY Unit Trust	44. ZAB Unit Trust	45. CDE Unit Trust	46. FGH Unit Trust	47. IJK Unit Trust	48. LMN Unit Trust	49. OPQ Unit Trust	50. RST Unit Trust
51. UVW Unit Trust	52. XYZ Unit Trust	53. ABC Unit Trust	54. DEF Unit Trust	55. GHI Unit Trust	56. JKL Unit Trust	57. MNO Unit Trust	58. PQR Unit Trust	59. STU Unit Trust	60. VWX Unit Trust
61. YZA Unit Trust	62. BCD Unit Trust	63. EFG Unit Trust	64. HIJ Unit Trust	65. KLM Unit Trust	66. NOP Unit Trust	67. QRS Unit Trust	68. TUV Unit Trust	69. WXY Unit Trust	70. ZAB Unit Trust
71. CDE Unit Trust	72. FGH Unit Trust	73. IJK Unit Trust	74. LMN Unit Trust	75. OPQ Unit Trust	76. RST Unit Trust	77. UVW Unit Trust	78. XYZ Unit Trust	79. ABC Unit Trust	80. DEF Unit Trust
81. GHI Unit Trust	82. JKL Unit Trust	83. MNO Unit Trust	84. PQR Unit Trust	85. STU Unit Trust	86. VWX Unit Trust	87. YZA Unit Trust	88. BCD Unit Trust	89. EFG Unit Trust	90. HIJ Unit Trust
91. KLM Unit Trust	92. NOP Unit Trust	93. QRS Unit Trust	94. TUV Unit Trust	95. WXY Unit Trust	96. ZAB Unit Trust	97. CDE Unit Trust	98. FGH Unit Trust	99. IJK Unit Trust	100. LMN Unit Trust

INSURANCES

	1991	1990	% Chg	% W	Total	1991	1990	% Chg	% W	Total
MM Life Assurance										
MM - Domestic										
Assets	2,111.0	2,043.1	+3.3							
Liabilities	2,211.0	2,043.1	+0.1							
Equity	100.0	0.0	0.0							
UK Equity	100.0	0.0	0.0							
Assets	1,000.0	1,000.0	0.0							
Liabilities	1,000.0	1,000.0	0.0							
Equity	0.0	0.0	0.0							
Assets	1,000.0	1,000.0	0.0							
Liabilities	1,000.0	1,000.0	0.0							
Equity	0.0	0.0	0.0							
Assets	1,000.0	1,000.0	0.0							
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Assets	1,000.0	1,000.0	0.0							
Liabilities	1,000.0	1,000.0	0.0							
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Assets	1,000.0	1,000.0	0.0							
Liabilities	1,000.0	1,000.0	0.0							
Equity	0.0	0.0	0.0							
Assets	1,000.0	1,000.0	0.0							
Liabilities	1,000.0	1,000.0	0.0							
Equity	0.0	0.0	0.0							
Assets	1,000.0	1,000.0	0.0							
Liabilities	1,000.0	1,000.0								

[illegible][illegible]

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible][illegible]

Unilever Scandinavian Fund Ltd		Share Price		Price	
10-21, Deodar Rd, Dingle, N.		25.24		214.14	
Sainsbury PLC		25.24		214.14	
ISLE OF MAN (REGULATED)					
		Share Price	Price	Share Price	Price
ATC Fund Management Ltd					
ATC Equity Fund	100	10.00	10.00	10.00	10.00
ATC Income Fund	100	10.00	10.00	10.00	10.00
ATC Bond Fund	100	10.00	10.00	10.00	10.00
ATC Money Fund	100	10.00	10.00	10.00	10.00
ATC Global Fund	100	10.00	10.00	10.00	10.00
ATC Real Estate Fund	100	10.00	10.00	10.00	10.00
ATC Commodity Fund	100	10.00	10.00	10.00	10.00
ATC Hedge Fund	100	10.00	10.00	10.00	10.00
ATC Alternative Fund	100	10.00	10.00	10.00	10.00
ATC Multi-Asset Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth Fund	100	10.00	10.00	10.00	10.00
ATC Global Income Fund	100	10.00	10.00	10.00	10.00
ATC Global Bond Fund	100	10.00	10.00	10.00	10.00
ATC Global Money Fund	100	10.00	10.00	10.00	10.00
ATC Global Commodity Fund	100	10.00	10.00	10.00	10.00
ATC Global Hedge Fund	100	10.00	10.00	10.00	10.00
ATC Global Alternative Fund	100	10.00	10.00	10.00	10.00
ATC Global Multi-Asset Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Bond Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Money Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Commodity Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Hedge Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Alternative Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Multi-Asset Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Bond Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Money Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Commodity Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Hedge Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Alternative Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Multi-Asset Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Bond Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Money Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Commodity Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Hedge Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Alternative Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Multi-Asset Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Bond Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Money Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Commodity Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Hedge Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Alternative Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Multi-Asset Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Income & Bond Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Income & Money Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Income & Commodity Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Income & Hedge Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Income & Alternative Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Income & Multi-Asset Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income & Income & Income & Income & Bond Fund	100	10.00	10.00	10.00	10.00
ATC Global Growth & Income & Income &					

Haystack O & B Fd	SP10.54	10.78	+0.24	1.7
Haystack Throgmorton Mgmt Ltd				
Global Equity	81.318	1.43		
Int Int-Seg High Int	111.47	12.8818		5.1

[illegible]

IRELAND (SIB RECOGNISED)

Global Bank Ac.	100.00	100.00
Managed Dollar	100.00	100.00
Managed Dollar	100.00	100.00
Managed Dollar	100.00	100.00
Managed Dollar	100.00	100.00

100% Cash Dividend Best Low-Price Growth Short-Term US Funds High Income Advantage	1.75 1.00 1.00 70.00	10.00 10.00 10.00 10.00	10.00 10.00 10.00 10.00	10.00 10.00 10.00 10.00
Federated Short-Term US Gov't Securities Fund Federated Short-Term	1.00 1.00	10.00 10.00	10.00 10.00	10.00 10.00

11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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ST	Port A	25.00	24.85	0.15
OT	Port A	18.12	18.00	0.12
OT	Port B	24.01		0.30
ST	Port B	18.25		0.30
ST	Port C	15.11		0.33

67	Australian Tel Cos A Shs	28.54	31.18	-0.21	19.08
67	Australian Tel Cos A Shs	18.68	20.38	-0.38	10.00
67	Australian Tel Cos A Shs	28.10		-0.38	10.00
67	Australian Tel Cos A Shs	19.70		-0.38	12.00
67	Australian Tel Cos A Shs	18.14	20.05	-0.17	10.00
67	Board A				10.00

13.56	14.12	0.00
23.18		0.00
15.64		0.00
9.54	9.94	0.00
5.52	5.72	0.00

ST	Japan OTC	13.97		13.97
ST	Japan OTC	8.67		8.67
ST	Japan S&P	15.44	16.08	15.44
ST	Japan S&P	10.44	10.57	10.44

Std. Dev.	Std. Error	+ or -	Yield Range	Std. Dev.	Std. Error	+ or -	Yield Range	Std. Dev.	Std. Error	+ or -	Yield Range
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MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated S with no prefix refer to U.S. dollars. Yields are shown net of buying expenses. Prices of certain other funds shown beyond prices of the funds to which they relate are shown in pence. **1** = 100 pence. **2** = 200 pence. **3** = 300 pence. **4** = 400 pence. **5** = 500 pence. **6** = 600 pence. **7** = 700 pence. **8** = 800 pence. **9** = 900 pence. **10** = 1,000 pence. **11** = 1,100 pence. **12** = 1,200 pence. **13** = 1,300 pence. **14** = 1,400 pence. **15** = 1,500 pence. **16** = 1,600 pence. **17** = 1,700 pence. **18** = 1,800 pence. **19** = 1,900 pence. **20** = 2,000 pence. **21** = 2,100 pence. **22** = 2,200 pence. **23** = 2,300 pence. **24** = 2,400 pence. **25** = 2,500 pence. **26** = 2,600 pence. **27** = 2,700 pence. **28** = 2,800 pence. **29** = 2,900 pence. **30** = 3,000 pence. **31** = 3,100 pence. **32** = 3,200 pence. **33** = 3,300 pence. **34** = 3,400 pence. **35** = 3,500 pence. **36** = 3,600 pence. **37** = 3,700 pence. **38** = 3,800 pence. **39** = 3,900 pence. **40** = 4,000 pence. **41** = 4,100 pence. **42** = 4,200 pence. **43** = 4,300 pence. **44** = 4,400 pence. **45** = 4,500 pence. **46** = 4,600 pence. **47** = 4,700 pence. **48** = 4,800 pence. **49** = 4,900 pence. **50** = 5,000 pence. **51** = 5,100 pence. **52** = 5,200 pence. **53** = 5,300 pence. **54** = 5,400 pence. **55** = 5,500 pence. **56** = 5,600 pence. **57** = 5,700 pence. **58** = 5,800 pence. **59** = 5,900 pence. **60** = 6,000 pence. **61** = 6,100 pence. **62** = 6,200 pence. **63** = 6,300 pence. **64** = 6,400 pence. **65** = 6,500 pence. **66** = 6,600 pence. **67** = 6,700 pence. **68** = 6,800 pence. **69** = 6,900 pence. **70** = 7,000 pence. **71** = 7,100 pence. **72** = 7,200 pence. **73** = 7,300 pence. **74** = 7,400 pence. **75** = 7,500 pence. **76** = 7,600 pence. **77** = 7,700 pence. **78** = 7,800 pence. **79** = 7,900 pence. **80** = 8,000 pence. **81** = 8,100 pence. **82** = 8,200 pence. **83** = 8,300 pence. **84** = 8,400 pence. **85** = 8,500 pence. **86** = 8,600 pence. **87** = 8,700 pence. **88** = 8,800 pence. **89** = 8,900 pence. **90** = 9,000 pence. **91** = 9,100 pence. **92** = 9,200 pence. **93** = 9,300 pence. **94** = 9,400 pence. **95** = 9,500 pence. **96** = 9,600 pence. **97** = 9,700 pence. **98** = 9,800 pence. **99** = 9,900 pence. **100** = 10,000 pence. **101** = 10,100 pence. **102** = 10,200 pence. **103** = 10,300 pence. **104** = 10,400 pence. **105** = 10,500 pence. **106** = 10,600 pence. **107** = 10,700 pence. **108** = 10,800 pence. **109** = 10,900 pence. **110** = 11,000 pence. **111** = 11,100 pence. **112** = 11,200 pence. **113** = 11,300 pence. **114** = 11,400 pence. **115** = 11,500 pence. **116** = 11,600 pence. **117** = 11,700 pence. **118** = 11,800 pence. **119** = 11,900 pence. **120** = 12,000 pence. **121** = 12,100 pence. **122** = 12,200 pence. **123** = 12,300 pence. **124** = 12,400 pence. **125** = 12,500 pence. **126** = 12,600 pence. **127** = 12,700 pence. **128** = 12,800 pence. **129** = 12,900 pence. **130** = 13,000 pence. **131** = 13,100 pence. **132** = 13,200 pence. **133** = 13,300 pence. **134** = 13,400 pence. **135** = 13,500 pence. **136** = 13,600 pence. **137** = 13,700 pence. **138** = 13,800 pence. **139** = 13,900 pence. **140** = 14,000 pence. **141** = 14,100 pence. **142** = 14,200 pence. **143** = 14,300 pence. **144** = 14,400 pence. **145** = 14,500 pence. **146** = 14,600 pence. **147** = 14,700 pence. **148** = 14,800 pence. **149** = 14,900 pence. **150** = 15,000 pence. **151** = 15,100 pence. **152** = 15,200 pence. **153** = 15,300 pence. **154** = 15,400 pence. **155** = 15,500 pence. **156** = 15,600 pence. **157** = 15,700 pence. **158** = 15,800 pence. **159** = 15,900 pence. **160** = 16,000 pence. **161** = 16,100 pence. **162** = 16,200 pence. **163** = 16,300 pence. **164** = 16,400 pence. **165** = 16,500 pence. **166** = 16,600 pence. **167** = 16,700 pence. **168** = 16,800 pence. **169** = 16,900 pence. **170** = 17,000 pence. **171** = 17,100 pence. **172** = 17,200 pence. **173** = 17,300 pence. **174** = 17,400 pence. **175** = 17,500 pence. **176** = 17,600 pence. **177** = 17,700 pence. **178** = 17,800 pence. **179** = 17,900 pence. **180** = 18,000 pence. **181** = 18,100 pence. **182** = 18,200 pence. **183** = 18,300 pence. **184** = 18,400 pence. **185** = 18,500 pence. **186** = 18,600 pence. **187** = 18,700 pence. **188** = 18,800 pence. **189** = 18,900 pence. **190** = 19,000 pence. **191** = 19,100 pence. **192** = 19,200 pence. **193** = 19,300 pence. **194** = 19,400 pence. **195** = 19,500 pence. **196** = 19,600 pence. **197** = 19,700 pence. **198** = 19,800 pence. **199** = 19,900 pence. **200** = 20,000 pence. **201** = 20,100 pence. **202** = 20,200 pence. **203** = 20,300 pence. **204** = 20,400 pence. **205** = 20,500 pence. **206** = 20,600 pence. **207** = 20,700 pence. **208** = 20,800 pence. **209** = 20,900 pence. **210** = 21,000 pence. **211** = 21,100 pence. **212** = 21,200 pence. **213** = 21,

CURRENCIES AND MONEY

MARKETS REPORT

Market waits on Fed

Foreign exchanges face another day of tense anticipation today after the Federal Reserve failed yesterday to tighten US credit policy, writes Philip Gaurth.

The dollar dropped half a penny after the US central bank added reserves with two-day system repos which suggested no change in monetary policy. The Fed moved quickly, however, to quash rumours by saying the FOMC meeting, which runs over two days, had yet to discuss monetary policy.

Analysts said yesterday's action by the Fed was simply a holding operation. There is a strong consensus that the Federal Open Market Committee (FOMC), the policy-making arm of the Fed, will take a decision to tighten policy.

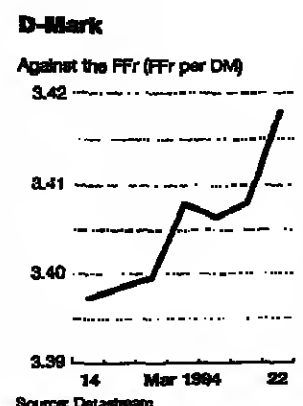
This decision will either be implemented today at "Fed time" - 4.30pm GMT, when the Fed conducts its daily open market operations - or later, at a moment of the Fed's choosing.

Any action from the Fed today is likely to coincide with a further reduction by the Bundesbank of the German repo rate. The combination of a rise in US rates and a lowering of German rates could well give the dollar a significant upward lift.

In the UK, meanwhile, the release of the February retail price index is keenly awaited. Some observers believe a cut in interest rates, but this is a minority view.

After spiking below DM1.68 after the Fed's daily operations, the dollar bounced back and was trading at DM1.670 yesterday evening. A similar pattern was evident against the yen, spiking below ¥105.73 before trading later at ¥106.00, and against sterling, where the dollar spiked up to \$1.4915, before trading later at \$1.4870.

The dollar continues to be wrapped in bearish sentiment. Analysts say that the problem for the US currency is that an interest rate increase of 25 basis points is already priced in. The dollar's weakness was illustrated by it finishing lower in London at DM1.6885 against



Source: Datastream

■ D-Mark in New York

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41

■ D-Mark in London

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Frankfurt

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Zurich

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Bern

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Basel

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Lucerne

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in St. Gallen

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Appenzel A.O.

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Appenzel A.U.

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Valais

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Vaud

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Neuchâtel

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Fribourg

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Solothurn

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Schaffhausen

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Thurgau

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Ticino

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Uri

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Schwyz

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Unterwalden A.O.

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Unterwalden A.U.

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Glarus

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Appenzel A.O.

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Appenzel A.U.

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Valais

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Vaud

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

■ D-Mark in Neuchâtel

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885	1.6885

accepted last week was 5.88 per cent, a reduction of six basis points in the repo rate. Analysts are predicting a fall of up to ten basis points.

Overnight rates firmed slightly, from 5.70/5.80 per cent on Monday, with some quotes of 5.80/5.90 per cent reported. Ms Phyllis Reed, European bond strategist at BZW, said the move had not been very convincing, and doubted whether it would be enough to stop a good repo.

"All the signs are that liquidity is quite good so it could be that the banks are getting jumpy on the Fed tightening," she said. Supporting the case for a fall of up to ten points in the repo rate, Ms Reed noted that the mid-point of the overnight rate was still below the repo rate and this was normally a good sign. "Banks tend to be quite ambitious on the bidding," she said. Last week the overnight rate fell to the repo rate level only at the time of the auction.

The repo announcement triggered a rally in the futures market. The June three-month eurodollar contract firmed one point to settle at 94.51 while the December contract rose six points to 94.95. Both moves indicate a more positive outlook about German interest rates falling.

■ Sterling finished more than a penny weaker against the D-Mark, closing in London at DM2.5094 from DM2.5305. Traders said the UK currency was being affected by speculation about an interest rate cut.

Mr Robin Marshall, chief economist at Chase Manhattan, warned there was a danger of a rate cut backfiring. If it upsets the gilt market, this will put upward pressure on mortgage rates.

In the discount market the Bank of England dispatched a shortage of £750m without difficulty. Sterling futures firmed slightly with the June contract at a basis point up at 94.65.

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
153.05	153.75	153.00	153.00	153.00	153.00	153.00	153.00	153.00

■ OIL FUTURES

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm class March 22

1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49	2049-50	2050-51	2051-52	2052-53	2053-54	2054-55	2055-56	2056-57	2057-58	2058-59	2059-60	2060-61	2061-62	2062-63	2063-64	2064-65	2065-66	2066-67	2067-68	2068-69	2069-70	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80	2080-81	2081-82	2082-83	2083-84	2084-85	2085-86	2086-87	2087-88	2088-89	2089-90	2090-91	2091-92	2092-93	2093-94	2094-95	2095-96	2096-97	2097-98	2098-99	2099-00	2100-01	2101-02	2102-03	2103-04	2104-05	2105-06	2106-07	2107-08	2108-09	2109-10	2110-11	2111-12	2112-13	2113-14	2114-15	2115-16	2116-17	2117-18	2118-19	2119-20	2120-21	2121-22	2122-23	2123-24	2124-25	2125-26	2126-27	2127-28	2128-29	2129-30	2130-31	2131-32	2132-33	2133-34	2134-35	2135-36	2136-37	2137-38	2138-39	2139-40	2140-41	2141-42	2142-43	2143-44	2144-45	2145-46	2146-47	2147-48	2148-49	2149-50	2150-51	2151-52	2152-53	2153-54	2154-55	2155-56	2156-57	2157-58	2158-59	2159-60	2160-61	2161-62	2162-63	2163-64	2164-65	2165-66	2166-67	2167-68	2168-69	2169-70	2170-71	2171-72	2172-73	2173-74	2174-75	2175-76	2176-77	2177-78	2178-79	2179-80	2180-81	2181-82	2182-83	2183-84	2184-85	2185-86	2186-87	2187-88	2188-89	2189-90	2190-91	2191-92	2192-93	2193-94	2194-95	2195-96	2196-97	2197-98	2198-99	2199-00	2200-01	2201-02	2202-03	2203-04	2204-05	2205-06	2206-07	2207-08	2208-09	2209-10	2210-11	2211-12	2212-13	2213-14	2214-15	2215-16	2216-17	2217-18	2218-19	2219-20	2220-21	2221-22	2222-23	2223-24	2224-25	2225-26	2226-27	2227-28	2228-29	2229-30	2230-31	2231-32	2232-33	2233-34	2234-35	2235-36	2236-37	2237-38	2238-39	2239-40	2240-41	2241-42	2242-43	2243-44	2244-45	2245-46	2246-47	2247-48	2248-49	2249-50	2250-51	2251-52	2252-53	2253-54	2254-55	2255-56	2256-57	2257-58	2258-59	2259-60	2260-61	2261-62	2262-63	2263-64	2264-65	2265-66	2266-67	2267-68	2268-69	2269-70	2270-71	2271-72	2272-73	2273-74	2274-75	2275-76	2276-77	2277-78	2278-79	2279-80	2280-81	2281-82	2282-83	2283-84	2284-85	2285-86	2286-87	2287-88	2288-89	2289-90	2290-91	2291-92	2292-93	2293-94	2294-95	2295-96	2296-97	2297-98	2298-99	2299-00	2300-01	2301-02	2302-03	2303-04	2304-05	2305-06	2306-07	2307-08	2308-09	2309-10	2310-11	2311-12	2312-13	2313-14	2314-15	2315-16	2316-17	2317-18	2318-19	2319-20	2320-21	2321-22	2322-23	2323-24	2324-25	2325-26	2326-27	2327-28	2328-29	2329-30	2330-31	2331-32	2332-33	2333-34	2334-35	2335-36	2336-37	2337-38	2338-39	2339-40	2340-41	2341-42	2342-43	2343-44	2344-45	2345-46	2346-47	2347-48	2348-49	2349-50	2350-51	2351-52	2352-53	2353-54	2354-55	2355-56	2356-57	2357-58	2358-59	2359-60	2360-61	2361-62	2362-63	2363-64	2364-65	2365-66	2366-67	2367-68	2368-69	2369-70	2370-71	2371-72	2372-73	2373-74	2374-75	2375-76	2376-77	2377-78	2378-79	2379-80	2380-81	2381-82	2382-83	2383-84	2384-85	2385-86	2386-87	2387-88	2388-89	2389-90	2390-91	2391-92	2392-93	2393-94	2394-95	2395-96	2396-97	2397-98	2398-99	2399-00	2400-01	2401-02	2402-03	2403-04	2404-05	2405-06	2406-07	2407-08	2408-09	2409-10	2410-11	2411-12	2412-13	2413-14	2414-15	2415-16	2416-17	2417-18	2418-19	2419-20	2420-21	2421-22	2422-23	2423-24	2424-25	2425-26	2426-27	2427-28	2428-29	2429-30	2430-31	2431-32	2432-33	2433-34	2434-35	2435-36	2436-37	2437-38	2438-39	2439-40	2440-41	2441-42	2442-43	2443-44	2444-45	2445-46	2446-47	2447-48	2448-49	2449-50	2450-51	2451-52	2452-53	2453-54	2454-55	2455-56	2456-57	2457-58	2458-59	2459-60	2460-61	2461-62	2462-63	2463-64	2464-65	2465-66	2466-67	2467-68	2468-69	2469-70	2470-71	2471-72	2472-73	2473-74	2474-75	2475-76	2476-77	2477-78	2478-79	2479-80	2480-81	2481-82	2482-83	2483-84	2484-85	2485-86	2486-87	2487-88	2488-89	2489-90	2490-91	2491-92	2492-93	2493-94	2494-95	2495-96	2496-97	2497-98	2498-99	2499-00	2500-01	2501-02	2502-03	2503-04	2504-05	2505-06	2506-07	2507-08	2508-09	2509-10	2510-11	2511-12	2512-13	2513-14	2514-15	2515-16	2516-17	2517-18	2518-19	2519-20	2520-21	2521-22	2522-23	2523-24	2524-25	2525-26	2526-27	2527-28	2528-29	2529-30	2530-31	2531-32	2532-33	2533-34	2534-35	2535-36	2536-37	2537-38	2538-39	2539-40	2540-41	2541-42	2542-43	2543-44	2544-45	2545-46	2546-47	2547-48	2548-49	2549-50	2550-51	2551-52	2552-53	2553-54	2554-55	2555-56	2556-57	2557-58	2558-59	2559-60	2560-61	2561-62	2562-63	2563-64	2564-65	2565-66	2566-67	2567-68	2568-69	2569-70	2570-71	2571-72	2572-73	2573-74	2574-75	2575-76	2576-77	2577-78	2578-79	2579-80	2580-81	2581-82	2582-83	2583-84	2584-85	2585-86	2586-87	2587-88	2588-89	2589-90	2590-91	2591-92	2592-93	2593-94	2594-95	2595-96	2596-97	2597-98	2598-99	2599-00	2600-01	2601-02	2602-03	2603-04	2604-05	2605-06	2606-07	2607-08	2608-09	2609-10	2610-11	2611-12	2612-13	2613-14	2614-15	2615-16	2616-17	2617-18	2618-19	2619-20	2620-21	2621-22	2622-23	2623-24	2624-25	2625-26	2626-27	2627-28	2628-29	2629-30	2630-31	2631-32	2632-33	2633-34	2634-35	2635-36	2636-37	2637-38	2638-39	2639-40	2640-41	2641-42	2642-43	2643-44	2644-45	2645-46	2646-47	2647-48	2648-49	2649-50	2650-51	2651-52	2652-53	2653-54	2654-55	2655-56	2656-57	2657-58	2658-59	2659-60	2660-61	2661-62	2662-63	2663-64	2664-65	2665-66	2666-67	2667-68	2668-69	2669-70	2670-71	2671-72	2672-73	2673-74	2674-75	2675-76	2676-77	2677-78	2678-79	2679-80	2680-81	2681-82	2682-83	2683-84	2684-85	2685-86	2686-87	2687-88	2688-89	2689-90	2690-91	2691-92	2692-93	2693-94	2694-95	2695-96	2696-97	2697-98	2698-99	2699-00	2700-01	2701-02	2702-03	2703-04	2704-05	2705-06	2706-07	2707-08	2708-09	2709-10	2710-11	2711-12	2712-13	2713-14	2714-15	2715-16	2716-17	2717-18	2718-19	2719-20	2720-21	2721-22	2722-23	2723-24	2724-25	2725-26	2726-27	2727-28	2728-29	2729-30	2730-31	2731-32	2732-33	2733-34	2734-35	2735-36	2736-37	2737-38	2738-39	2739-40	2740-41	2741-42	2742-43	2743-44	2744-45	2745-46	2746-47	2747-48	2748-49	2749-50	2750-51	2751-52	2752-53	2753-54	2754-55	2755-56	2756-57	2757-58	2758-59	2759-60	2760-61	2761-62	2762-63	2763-64	2764-65	2765-66	2766-67	2767-68	2768-69	2769-70	2770-71	2771-72	2772-73	2773-74	2774-75	2775-76	2776-77	2777-78	2778-79	2779-80	2780-81	2781-82	2782-83	2783-84	2784-85	2785-86	2786-87	2787-88	2788-89	2789-90	2790-91	2791-92	2792-93	2793-94	2794-95	2795-96	2796-97	2797-98	2798-99	2799-00	2800-01	2801-02	2802-03	2803-04	2804-05	2805-06	2806-07	2807-08	2808-09	2809-10	2810-11	2811-12	2812-13	2813-14	2814-15	2815-16	2816-17	2817-18	2818-19	2819-20	2820-21	2821-22	2822-23	2823-24	2824-25	2825-26	2826-27	2827-28	2828-29	2829-30	2830-31	2831-32	2832-33	2833-34	2834-35	2835-36	2836-37	2837-38	2838-39	2839-40	2840-41	2841-42	2842-43	2843-44	2844-45	2845-46	2846-47	2847-48	2848-49	2849-50	2850-51	2851-52	2852-53	2853-54	2854-55	2855-56	2856-57	2857-58	2858-59	2859-60	2860-61	2861-62	2862-63	2863-64	2864-65	2865-66	2866-67	2867-68	2868-69	2869-70	2870-71	2871-72	2872-73	2873-74	2874-75	2875-76	2876-77	2877-78	2878-79	2879-80	2880-81	2881-82	2882-83	2883-84	2884-85	2885-86	2886-87	2887-88	2888-89	2889-90	2890-91	2891-92	2892-93	2893-94	2894-95	2895-96	2896-97	2897-98	2898-99	2899-00	2900-01	2901-02	2902-03	2903-04	2904-05	2905-06	2906-07	2907-08	2908-09	2909-10	2910-11	2911-12	2912-13	2913-14	2914-15	2915-16	2916-17	2917-18	2918-19	2919-20	2920-21	2921-22	2922-23	2923-24	2924-25	2925-26	2926-27	2927-28	2928-29	2929-30	2930-31	2931-32	2932-33	2933-34	2934-35	2935-36	2936-37	2937-38	2938-39	2939-40	2940-41	2941-42	2942-43	2943-44	2944-45	2945-46	2946-47	2947-48	2948-49	2949-50	2950-51	2951-52	2952-53	2953-54	2954-55	2955-56	2956-57	2957-58	2958-59	2959-60	2960-61	2961-62	2962-63	2963-64	2964-65	2965-66	2966-67	2967-68	2968-69	2969-70	2970-71	2971-72	2972-73	2973-74	2974-75	2975-76	2976-77	2977-78	2978-79	2979-80	2980-81	2981-82	2982-83	2983-84	2984-85	2985-86	2986-87	2987-88	2988-89	2989-90	2990-91	2991-92	2992-93	2993-94	2994-95	2995-96	2996-97	2997-98	2998-99	2999-00	3000-01	3001-02	3002-03	3003-04	3004-05	3005-06	3006-07	3007-08	3008-09	3009-10	3010-11	3011-12	3012-13	3013-14	3014-1
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[illegible][illegible][illegible][illegible]

329	1944	Colombia	0.29	1.5	18	355	23%	23%	+
330	1944	Colombia	0.29	1.5	18	355	23%	23%	+
331	20	Colombia	0.96	6.8	11	173	20%	20%	+
332	1944	Colombia	0.60	4.0	18	320	21%	21%	+
333	1944	Colombia	0.60	4.0	18	320	21%	21%	+
334	1944	Colombia	0.60	4.0	18	320	21%	21%	+
335	1944	Colombia	0.60	4.0	18	320	21%	21%	+
336	1944	Colombia	0.60	4.0	18	320	21%	21%	+
337	1944	Colombia	0.60	4.0	18	320	21%	21%	+
338	1944	Colombia	0.60	4.0	18	320	21%	21%	+
339	1944	Colombia	0.60	4.0	18	320	21%	21%	+
340	1944	Colombia	0.60	4.0	18	320	21%	21%	+
341	1944	Colombia	0.60	4.0	18	320	21%	21%	+
342	1944	Colombia	0.60	4.0	18	320	21%	21%	+
343	1944	Colombia	0.60	4.0	18	320	21%	21%	+
344	1944	Colombia	0.60	4.0	18	320	21%	21%	+
345	1944	Colombia	0.60	4.0	18	320	21%	21%	+
346	1944	Colombia	0.60	4.0	18	320	21%	21%	+
347	1944	Colombia	0.60	4.0	18	320	21%	21%	+
348	1944	Colombia	0.60	4.0	18	320	21%	21%	+
349	1944	Colombia	0.60	4.0	18	320	21%	21%	+
350	1944	Colombia	0.60	4.0	18	320	21%	21%	+
351	1944	Colombia	0.60	4.0	18	320	21%	21%	+
352	1944	Colombia	0.60	4.0	18	320	21%	21%	+
353	1944	Colombia	0.60	4.0	18	320	21%	21%	+
354	1944	Colombia	0.60	4.0	18	320	21%	21%	+
355	1944	Colombia	0.60	4.0	18	320	21%	21%	+
356	1944	Colombia	0.60	4.0	18	320	21%	21%	+
357	1944	Colombia	0.60	4.0	18	320	21%	21%	+
358	1944	Colombia	0.60	4.0	18	320	21%	21%	+
359	1944	Colombia	0.60	4.0	18	320	21%	21%	+
360	1944	Colombia	0.60	4.0	18	320	21%	21%	+
361	1944	Colombia	0.60	4.0	18	320	21%	21%	+
362	1944	Colombia	0.60	4.0	18	320	21%	21%	+
363	1944	Colombia	0.60	4.0	18	320	21%	21%	+
364	1944	Colombia	0.60	4.0	18	320	21%	21%	+
365	1944	Colombia	0.60	4.0	18	320	21%	21%	+
366	1944	Colombia	0.60	4.0	18	320	21%	21%	+
367	1944	Colombia	0.60	4.0	18	320	21%	21%	+
368	1944	Colombia	0.60	4.0	18	320	21%	21%	+
369	1944	Colombia	0.60	4.0	18	320	21%	21%	+
370	1944	Colombia	0.60	4.0	18	320	21%	21%	+
371	1944	Colombia	0.60	4.0	18	320	21%	21%	+
372	1944	Colombia	0.60	4.0	18	320	21%	21%	+
373	1944	Colombia	0.60	4.0	18	320	21%	21%	+
374	1944	Colombia	0.60	4.0	18	320	21%	21%	+
375	1944	Colombia	0.60	4.0	18	320	21%	21%	+
376	1944	Colombia	0.60	4.0	18	320	21%	21%	+
377	1944	Colombia	0.60	4.0	18	320	21%	21%	+
378	1944	Colombia	0.60	4.0	18	320	21%	21%	+
379	1944	Colombia	0.60	4.0	18	320	21%	21%	+
380	1944	Colombia	0.60	4.0	18	320	21%	21%	+
381	1944	Colombia	0.60	4.0	18	320	21%	21%	+
382	1944	Colombia	0.60	4.0	18	320	21%	21%	+
383	1944	Colombia	0.60	4.0	18	320	21%	21%	+
384	1944	Colombia	0.60	4.0	18	320	21%	21%	+
385	1944	Colombia	0.60	4.0	18	320	21%	21%	+
386	1944	Colombia	0.60	4.0	18	320	21%	21%	+
387	1944	Colombia	0.60	4.0	18	320	21%	21%	+
388	1944	Colombia	0.60	4.0	18	320	21%	21%	+
389	1944	Colombia	0.60	4.0	18	320	21%	21%	+
390	1944	Colombia	0.60	4.0	18	320	21%	21%	+
391	1944	Colombia	0.60	4.0	18	320	21%	21%	+
392	1944	Colombia	0.60	4.0	18	320	21%	21%	+
393	1944	Colombia	0.60	4.0	18	320	21%	21%	+
394	1944	Colombia	0.60	4.0	18	320	21%	21%	+
395	1944	Colombia	0.60	4.0	18	320	21%	21%	+
396	1944	Colombia	0.60	4.0	18	320	21%	21%	+
397	1944	Colombia	0.60	4.0	18	320	21%	21%	+
398	1944	Colombia	0.60	4.0	18	320	21%	21%	+
399	1944	Colombia	0.60	4.0	18	320	21%	21%	+
400	1944	Colombia	0.60	4.0	18	320	21%	21%	+
401	1944	Colombia	0.60	4.0	18	320	21%	21%	+
402	1944	Colombia	0.60	4.0	18	320	21%	21%	+
403	1944	Colombia	0.60	4.0	18	320	21%	21%	+
404	1944	Colombia	0.60	4.0	18	320	21%	21%	+
405	1944	Colombia	0.60	4.0	18	320	21%	21%	+
406	1944	Colombia	0.60	4.0	18	320	21%	21%	+
407	1944	Colombia	0.60	4.0	18	320	21%	21%	+
408	1944	Colombia	0.60	4.0	18	320	21%	21%	+
409	1944	Colombia	0.60	4.0	18	320	21%	21%	+
410	1944	Colombia	0.60	4.0	18	320	21%	21%	+
411	1944	Colombia	0.60	4.0	18	320	21%	21%	+
412	1944	Colombia	0.60	4.0	18	320	21%	21%	+
413	1944	Colombia	0.60	4.0	18	320	21%	21%	+
414	1944	Colombia	0.60	4.0	18	320	21%	21%	+
415	1944	Colombia	0.60	4.0	18	320	21%	21%	+
416	1944	Colombia	0.60	4.0	18	320	21%	21%	+
417	1944	Colombia	0.60	4.0	18	320	21%	21%	+
418	1944	Colombia	0.60	4.0	18	320	21%	21%	+
419	1944	Colombia	0.60	4.0	18	320	21%	21%	+
420	1944	Colombia	0.60	4.0	18	320	21%	21%	+
421	1944	Colombia	0.60	4.0	18	320	21%	21%	+
422	1944	Colombia	0.60	4.0	18	320	21%	21%	+
423	1944	Colombia	0.60	4.0	18	320	21%	21%	+
424	1944	Colombia	0.60	4.0	18	320	21%	21%	+
425	1944	Colombia	0.60	4.0	18	320	21%	21%	+
426	1944	Colombia	0.60	4.0	18	320	21%	21%	+
427	1944	Colombia	0.60	4.0	18	320	21%	21%	+
428	1944	Colombia	0.60	4.0	18	320	21%	21%	+
429	1944	Colombia	0.60	4.0	18	320	21%	21%	+
430	1944	Colombia	0.60	4.0	18	320	21%	21%	+
431	1944	Colombia	0.60	4.0	18	320	21%	21%	+
432	1944	Colombia	0.60	4.0	18	320	21%	21%	+
433	1944	Colombia	0.60	4.0	18	320	21%	21%	+
434	1944	Colombia	0.60	4.0	18	320	21%	21%	+
435	1944	Colombia	0.60	4.0	18	320	21%	21%	+
436	1944	Colombia	0.60	4.0	18	320	21%	21%	+
437	1944	Colombia	0.60	4.0	18	320	21%	21%	+
438	1944	Colombia	0.60	4.0	18	320	21%	21%	+
439	1944	Colombia	0.60	4.0	18	320	21%	21%	+
440	1944	Colombia	0.60	4.0	18	320	21%	21%	+
441	1944	Colombia	0.60	4.0	18	320	21%	21%	+
442	1944	Colombia	0.60	4.0	18	320	21%	21%	+
443	1944	Colombia	0.60	4.0	18	320	21%	21%	+
444	1944	Colombia	0.60	4.0	18	320	21%	21%	+
445	1944	Colombia	0.60	4.0	18	320	21%	21%	+
446	1944	Colombia	0.60	4.0	18	320	21%	21%	+
447	1944	Colombia	0.60	4.0	18	320	21%	21%	+
448	1944	Colombia	0.60	4.0	18	320	21%	21%	+
449	1944	Colombia	0.60	4.0	18	320	21%	21%	+
450	1944	Colombia	0.60	4.0	18	320	21%	21%	+
451	1944	Colombia	0.60	4.0	18	320	21%	21%	+
452	1944	Colombia	0.60	4.0	18	320	21%	21%	+
453	1944	Colombia	0.60	4.0	18	320	21%	21%	+
454	1944	Colombia	0.60	4.0	18	320	21%	21%	+
455	1944	Colombia	0.60	4.0	18	320	21%	21%	+
456	1944	Colombia	0.60	4.0	18	320	21%	21%	+
457	1944	Colombia	0.60	4.0	18	320	21%	21%	+
458	1944	Colombia	0.60	4.0	18	320	21%	21%	+
459	1944	Colombia	0.60	4.0	18	320	21%	21%	+
460	1944	Colombia	0.60	4.0	18	320	21%	21%	+
461	1944	Colombia	0.60	4.0	18	320	21%	21%	+
462	1944	Colombia	0.60	4.0	18	320	21%	21%	+
463	1944	Colombia	0.60	4.0	18	320	21%	21%	+
464	1944	Colombia	0.60	4.0	18	320	21%	21%	+
465	1944	Colombia	0.60	4.0	18	320	21%	21%	+
466	1944	Colombia	0.60	4.0	18	320	21%	21%	+
467	1944	Colombia	0.60	4.0	18	320	21%	21%	+
468	1944	Colombia	0.60	4.0	18	320	21%	21%	+
469	1944	Colombia	0.60	4.0	18	320	21%	21%	+
470	1944	Colombia	0.60	4.0	18	320	21%	21%	+
471	1944	Colombia	0.60	4.0	18	320	21%	21%	+
472	1944	Colombia	0.60	4.0	18	320	21%	21%	+
473	1944	Colombia	0.60	4.0	18	320	21%	21%	+
474	1944	Colombia	0.60	4.0	18	320	21%	21%	+
475	1944	Colombia	0.60	4.0	18	320	21%	21%	+
476	1944	Colombia	0.60	4.0	18	320	21%	21%	+
477	1944	Colombia	0.60	4.0	18	320	21%	21%	+
478	1944	Colombia	0.60	4.0	18	320	21%	21%	+
479	1944	Colombia	0.60	4.0	18	320	21%	21%	+
480	1944	Colombia	0.60	4.0	18	320	21%	21%	+
481	1944	Colombia	0.60	4.0	18	320	21%	21%	+
482	1944	Colombia	0.60	4.0	18	320	21%	21%	+
483	1944	Colombia	0.60	4.0	18	320	21%</		

[illegible][illegible][illegible]

1980s		Age	Sex	Yr. of Exp.	Yr. of Bus.	High Low	Low Down
1984	20	10	Male	2.86	25	100%	100%
1984	20	20	Male	3.02	33	117	95
1984	20	25	Male	3.02	33	117	95
1984	20	30	Male	3.02	33	117	95
1984	20	35	Male	3.02	33	117	95
1984	20	40	Male	3.02	33	117	95
1984	20	45	Male	3.02	33	117	95
1984	20	50	Male	3.02	33	117	95
1984	20	55	Male	3.02	33	117	95
1984	20	60	Male	3.02	33	117	95
1984	20	65	Male	3.02	33	117	95
1984	20	70	Male	3.02	33	117	95
1984	20	75	Male	3.02	33	117	95
1984	20	80	Male	3.02	33	117	95
1984	20	85	Male	3.02	33	117	95
1984	20	90	Male	3.02	33	117	95
1984	20	95	Male	3.02	33	117	95
1984	20	100	Male	3.02	33	117	95
1984	20	105	Male	3.02	33	117	95
1984	20	110	Male	3.02	33	117	95
1984	20	115	Male	3.02	33	117	95
1984	20	120	Male	3.02	33	117	95
1984	20	125	Male	3.02	33	117	95
1984	20	130	Male	3.02	33	117	95
1984	20	135	Male	3.02	33	117	95
1984	20	140	Male	3.02	33	117	95
1984	20	145	Male	3.02	33	117	95
1984	20	150	Male	3.02	33	117	95
1984	20	155	Male	3.02	33	117	95
1984	20	160	Male	3.02	33	117	95
1984	20	165	Male	3.02	33	117	95
1984	20	170	Male	3.02	33	117	95
1984	20	175	Male	3.02	33	117	95
1984	20	180	Male	3.02	33	117	95
1984	20	185	Male	3.02	33	117	95
1984	20	190	Male	3.02	33	117	95
1984	20	195	Male	3.02	33	117	95
1984	20	200	Male	3.02	33	117	95
1984	20	205	Male	3.02	33	117	95
1984	20	210	Male	3.02	33	117	95
1984	20	215	Male	3.02	33	117	95
1984	20	220	Male	3.02	33	117	95
1984	20	225	Male	3.02	33	117	95
1984	20	230	Male	3.02	33	117	95
1984	20	235	Male	3.02	33	117	95
1984	20	240	Male	3.02	33	117	95
1984	20	245	Male	3.02	33	117	95
1984	20	250	Male	3.02	33	117	95
1984	20	255	Male	3.02	33	117	95
1984	20	260	Male	3.02	33	117	95
1984	20	265	Male	3.02	33	117	95
1984	20	270	Male	3.02	33	117	95
1984	20	275	Male	3.02	33	117	95
1984	20	280	Male	3.02	33	117	95
1984	20	285	Male	3.02	33	117	95
1984	20	290	Male	3.02	33	117	95
1984	20	295	Male	3.02	33	117	95
1984	20	300	Male	3.02	33	117	95
1984	20	305	Male	3.02	33	117	95
1984	20	310	Male	3.02	33	117	95
1984	20	315	Male	3.02	33	117	95
1984	20	320	Male	3.02	33	117	95
1984	20	325	Male	3.02	33	117	95
1984	20	330	Male	3.02	33	117	95
1984	20	335	Male	3.02	33	117	95
1984	20	340	Male	3.02	33	117	95
1984	20	345	Male	3.02	33	117	95
1984	20	350	Male	3.02	33	117	95
1984	20	355	Male	3.02	33	117	95
1984	20	360	Male	3.02	33	117	95
1984	20	365	Male	3.02	33	117	95
1984	20	370	Male	3.02	33	117	95
1984	20	375	Male	3.02	33	117	95
1984	20	380	Male	3.02	33	117	95
1984	20	385	Male	3.02	33	117	95
1984	20	390	Male	3.02	33	117	95
1984	20	395	Male	3.02	33	117	95
1984	20	400	Male	3.02	33	117	95
1984	20	405	Male	3.02	33	117	95
1984	20	410	Male	3.02	33	117	95
1984	20	415	Male	3.02	33	117	95
1984	20	420	Male	3.02	33	117	95
1984	20	425	Male	3.02	33	117	95
1984	20	430	Male	3.02	33	117	95
1984	20	435	Male	3.02	33	117	95
1984	20	440	Male	3.02	33	117	95
1984	20	445	Male	3.02	33	117	95
1984	20	450	Male	3.02	33	117	95
1984	20	455	Male	3.02	33	117	95
1984	20	460	Male	3.02	33	117	95
1984	20	465	Male	3.02	33	117	95
1984	20	470	Male	3.02	33	117	95
1984	20	475	Male	3.02	33	117	95
1984	20	480	Male	3.02	33	117	95
1984	20	485	Male	3.02	33	117	95
1984	20	490	Male	3.02	33	117	95
1984	20	495	Male	3.02	33	117	95
1984	20	500	Male	3.02	33	117	95
1984	20	505	Male	3.02	33	117	95
1984	20	510	Male	3.02	33	117	95
1984	20	515	Male	3.02	33	117	95
1984	20	520	Male	3.02	33	117	95
1984	20	525	Male	3.02	33	117	95
1984	20	530	Male	3.02	33	117	95
1984	20	535	Male	3.02	33	117	95
1984	20	540	Male	3.02	33	117	95
1984	20	545	Male	3.02	33	117	95
1984	20	550	Male	3.02	33	117	95
1984	20	555	Male	3.02	33	117	95
1984	20	560	Male	3.02	33	117	95
1984	20	565	Male	3.02	33	117	95
1984	20	570	Male	3.02	33	117	95
1984	20	575	Male	3.02	33	117	95
1984	20	580	Male	3.02	33	117	95
1984	20	585	Male	3.02	33	117	95
1984	20	590	Male	3.02	33	117	95
1984	20	595	Male	3.02	33	117	95
1984	20	600	Male	3.02	33	117	95
1984	20	605	Male	3.02	33	117	95
1984	20	610	Male	3.02	33	117	95
1984	20	615	Male	3.02	33	117	95
1984	20	620	Male	3.02	33	117	95
1984	20	625	Male	3.02	33	117	95
1984	20	630	Male	3.02	33	117	95
1984	20	635	Male	3.02	33	117	95
1984	20	640	Male	3.02	33	117	95
1984	20	645	Male	3.02	33	117	95
1984	20	650	Male	3.02	33	117	95
1984	20	655	Male	3.02	33	117	95
1984	20	660	Male	3.02	33	117	95
1984	20	665	Male	3.02	33	117	95
1984	20	670	Male	3.02	33	117	95
1984	20	675	Male	3.02	33	117	95
1984	20	680	Male	3.02	33	117	95
1984	20	685	Male	3.02	33	117	95
1984	20	690	Male	3.02	33	117	95
1984	20	695	Male	3.02	33	117	95
1984	20	700	Male	3.02	33	117	95
1984	20	705	Male	3.02	33	117	95
1984	20	710	Male	3.02	33	117	95
1984	20	715	Male	3.02	33	117	95
1984	20	720	Male	3.02	33	117	95
1984	20	725	Male	3.02	33	117	95
1984	20	730	Male	3.02	33	117	95
1984	20	735	Male	3.02	33	117	95
1984	20	740	Male	3.02	33	117	95
1984	20	745	Male	3.02	33	117	95
1984	20	750	Male	3.02	33	117	95
1984	20	755	Male	3.02	33	117	95
1984	20	760	Male	3.02	33	117	95
1984	20	765	Male	3.02	33	117	95
1984	20	770	Male	3.02	33	117	95
1984	20	775	Male	3.02	33	117	95
1984	20	780	Male	3.02	33	117	95
1984	20	785	Male	3.02	33	117	95
1984	20	790	Male	3.02	33	117	95
1984	20	795	Male	3.02	33	117	95
1984	20	800	Male	3.02	33	117	95
1984	20	805	Male	3.02	33	117	95
1984	20	810	Male	3.02	33	117	95
1984	20	815	Male	3.02	33	117	95
1984	20	820	Male	3.02	33	117	95
1984	20	825	Male	3.02	33	117	95
1984	20	830	Male	3.02	33	117	95
1984	20	835	Male	3.02	33	117	95
1984	20	840	Male	3.02	33	117	95
1984	20	845	Male	3.02	33	117	95
1984	20	850	Male	3.02	33	117	95
1984	20	855	Male	3.02	33	117	95
1984	20	860	Male	3.02	33	117	95
1984	20	865	Male	3.02	33	117	95
1984	20	870	Male	3.02	33	117	95
1984	20	875	Male	3.02	33	117	95
1984	20	880	Male	3.02	33	117	95
1984	20	885	Male	3.02	33	117	95
1984	20	890	Male	3.02	33	117	95
1984	20	895	Male	3.02	33	117	95
1984	20	900	Male	3.02	33	117	95
1984	20	905	Male	3.02	33	117	95
1984	20	910	Male	3.02	33	117	95
1984	20	915	Male	3.02	33	117	95
1984	20	920	Male	3.02	33	117	95
1984	20	925	Male	3.02	33	117	95
1984	20	930	Male	3.02	33	117	95
1984	20	935	Male	3.02	33	117	95
1984	20	940	Male	3.02	33	117	95
1984	20	945	Male	3.02	33	117	95
1984	20	950	Male	3.02	33	117	95
1984	20	955	Male	3.02	33	117	95
1984	20	960	Male	3.02			

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164	174	Michigan	0.50	0.48	8	232	164	15	5	3
165	175	Michigan	0.49	0.45	15	233	165	15	5	3
166	176	MI	0.50	0.48	8	234	166	15	5	3
167	177	MI	0.50	0.48	8	235	167	15	5	3
168	178	Michigan	0.50	0.48	8	236	168	15	5	3
169	179	Michigan	0.50	0.48	8	237	169	15	5	3
170	180	Michigan	0.50	0.48	8	238	170	15	5	3
171	181	Michigan	0.50	0.48	8	239	171	15	5	3
172	182	Michigan	0.50	0.48	8	240	172	15	5	3
173	183	Michigan	0.50	0.48	8	241	173	15	5	3
174	184	Michigan	0.50	0.48	8	242	174	15	5	3
175	185	Michigan	0.50	0.48	8	243	175	15	5	3
176	186	Michigan	0.50	0.48	8	244	176	15	5	3
177	187	Michigan	0.50	0.48	8	245	177	15	5	3
178	188	Michigan	0.50	0.48	8	246	178	15	5	3
179	189	Michigan	0.50	0.48	8	247	179	15	5	3
180	190	Michigan	0.50	0.48	8	248	180	15	5	3
181	191	Michigan	0.50	0.48	8	249	181	15	5	3
182	192	Michigan	0.50	0.48	8	250	182	15	5	3
183	193	Michigan	0.50	0.48	8	251	183	15	5	3
184	194	Michigan	0.50	0.48	8	252	184	15	5	3
185	195	Michigan	0.50	0.48	8	253	185	15	5	3
186	196	Michigan	0.50	0.48	8	254	186	15	5	3
187	197	Michigan	0.50	0.48	8	255	187	15	5	3
188	198	Michigan	0.50	0.48	8	256	188	15	5	3
189	199	Michigan	0.50	0.48	8	257	189	15	5	3
190	200	Michigan	0.50	0.48	8	258	190	15	5	3
191	201	Michigan	0.50	0.48	8	259	191	15	5	3
192	202	Michigan	0.50	0.48	8	260	192	15	5	3
193	203	Michigan	0.50	0.48	8	261	193	15	5	3
194	204	Michigan	0.50	0.48	8	262	194	15	5	3
195	205	Michigan	0.50	0.48	8	263	195	15	5	3
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207	217	Michigan	0.50	0.48	8	275	207	15	5	3
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209	219	Michigan	0.50	0.48	8	277	209	15	5	3
210	220	Michigan	0.50	0.48	8	278	210	15	5	3
211	221	Michigan	0.50	0.48	8	279	211	15	5	3
212	222	Michigan	0.50	0.48	8	280	212	15	5	3
213	223	Michigan	0.50	0.48	8	281	213	15	5	3
214	224	Michigan	0.50	0.48	8	282	214	15	5	3
215	225	Michigan	0.50	0.48	8	283	215	15	5	3
216	226	Michigan	0.50	0.48	8	284	216	15	5	3
217	227	Michigan	0.50	0.48	8	285	217	15	5	3
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220	230	Michigan	0.50	0.48	8	288	220	15	5	3
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222	232	Michigan	0.50	0.48	8	290	222	15	5	3
223	233	Michigan	0.50	0.48	8	291	223	15	5	3
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225	235	Michigan	0.50	0.48	8	293	225	15	5	3
226	236	Michigan	0.50	0.48	8	294	226	15	5	3
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269	279	Michigan	0.50	0.48	8	337	269	15	5	3
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302	312	Michigan	0.50	0.48	8	370	302	15	5	3
303	313	Michigan	0.50	0.48	8	371	303	15	5	3
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307	317	Michigan	0.50	0.48	8	375	307	15	5	3
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TECHNOLOGY THAT WORKS FOR LIFE

Samsung Notebook PC



80486SX/35 MHz
Removable HDD
Inter Key Mouse

SAMSUNG
ELECTRONICS

Continued on next page

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4 pm close: March 22

Age	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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AMERICA

FOMC meeting fails to give Dow direction

Wall Street

US stocks failed to find a clear direction yesterday morning as the Federal Reserve's policy-making body began deliberations which were expected to result in higher interest rates, writes Frank McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was unchanged at 3,864.85, while the more broadly based Standard & Poor's 500 was 0.13 easier at 468.41.

In the secondary markets, the American SE composite inched 0.15 ahead to 470.52, but the Nasdaq composite slipped 0.15 to 796.35.

Volume on the NYSE was light, with 158m shares traded by 1 pm. Advancing issues led declines, 1,015 to 929.

Most analysts were expecting the members of the FOMC to vote for a further tightening of monetary policy.

A move to lift the Fed's target for the benchmark Fed Funds rate by 25 or 50 basis points, from the current level of 3.25 per cent, was expected sometime during the session or soon thereafter.

But the morning brought no

indication of a shift to tighter money, and blue-chip stocks, in parallel with bonds, moved moderately higher in early trading. Just before midday, however, a Fed spokesman said the FOMC still had not discussed monetary policy, suggesting a Fed move was still in a possibility before the session ended. The announcement wiped 10 points off the Dow industrial index in a matter of minutes.

The downturn was short-lived and the market soon regained its balance, while falling to make further headway as the afternoon session commenced.

Among individual issues, Alcoa added \$1 to \$90.4 and Chevron \$4 to \$91.4. But Merck dropped \$1.4 to \$30.0 on reports that its cholesterol-reducing drug would soon face competition from a cheaper product from Sanofi.

Bristol-Myers Squibb, down \$1.1 to \$53.4, was also hit hard by the news.

One of the stars of the session was Micron Technology, \$24 ahead at \$54.

On the Nasdaq, investors showed a lack of confidence in Novell's decision to mount a challenge to Microsoft's domi-

nance of the market for personal computer software. The stock slumped \$3.4 to \$20.4 a day after the company announced plans to buy WordPerfect and Borland's spreadsheet business. Microsoft, meanwhile, appreciated \$1.1 to \$44.

Mexico

Equities soared after government peace envoy Mr Manuel Camacho Solis said that he would not stand for the Mexican presidency.

The IPC index of 36 leading shares rose 23.95 or 1 per cent, to 2,406.59 in reaction to the statement.

Telnex recovered from an early loss of more than 1 per cent to gain almost 2 per cent.

Canada

Toronto was mixed at midday after the US Federal Reserve failed to indicate any change in its short-term interest rate policy and the domestic market remained hesitant ahead of an expected sharp rise in the Bank of Canada's key rate. The TSE 300 composite index edged up 2.3 to 4,625.50 at midday.

EUROPE

Bourses steady, awaiting US rate news

European equity markets marked time yesterday, awaiting interest rate clues from the FOMC in Washington. In the event, the news from the policy-setting committee was that the meeting was still reviewing current economic conditions and had not yet discussed the direction it wanted to set for interest rates over the next eight-week period.

Mr Albert Edwards at Kleinwort Benson commented that the bank market would take inaction badly. He thought it that there would probably be a half percentage point rise in the discount rate by Monday.

FRANKFURT consolidated its position with a day's gain in the Dax index of 10.06 to 2,141.34, but off from the session high of 2,155.31.

Traders said that a weakening in the future market contributed to the easing.

Turnover was modest at DM7.6bn.

The banking sector attracted attention with further results due out in the next couple of weeks. James Capel, in a research note issued on Monday, noted that its forecasts for

FT-SE Actuaries Share Indices

Mar 22		THE EUROPEAN SERIES									
Hourly changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Benchmark 100		1443.06	1443.77	1443.81	1443.50	1441.38	1441.48	1441.13	1440.48	1441.13	1438.04
FT-SE Benchmark 200		1484.35	1484.58	1484.58	1484.58	1483.83	1481.29	1481.17	1481.13	1481.13	1477.95
		Mar 21	Mar 18		Mar 17		Mar 16		Mar 15		
FT-SE Benchmark 100		1438.71	1448.51		1451.88		1458.28		1469.36		
FT-SE Benchmark 200		1478.54	1488.48		1493.95		1504.22		1513.34		
Note: Open = 10.00; 10.00/1000; High/Low = 10.00 - 1444.17; 200 - 1485.76; Low/High = 1440.00 - 1482.82; 200 - 1477.51.											

Base value 1983 (parity): Europe 100 = 1444.17; 200 = 1484.78; London 100 = 1482.28; 200 = 1477.51.

1994-95 had been shaded down for two main reasons. It said: "We have probably been too optimistic for the pace of recovery in terms of lending growth and falling bad debts."

The note added: "This years trading profits have been adversely affected by the markets' reaction to the trend reversal in US interest rates."

Bayerische Hypo, which pleased the market with results yesterday, added DM1.50 to DM4.69, while Bayerische Vereinsbank, results due later this week, gained DM2 to DM4.90, strengthened on hopes of good 1993 figures due tomorrow.

ZURICH finished higher as domestic institutional buyers returned at current lower prices but the day's best levels were not maintained. The SMI index rose 20.4 to 2,894.7, after a high of 2,943.3.

Giba registered rose SF40 to SF785; the company has filed an application with the US Food and Drug Administration to produce a rival to Glaxo's Zantac anti-ulcer drug. Nestlé, with results due this week on SF21 to SF1.241.

Sandoz, with results scheduled for tomorrow, rose SF50 to SF3.920 amid suggestions that the introduction of its Lescol cholesterol drug could spark a price war in the US.

Georg Fischer rose SF50 to SF1.310; the mechanical engineering group said it expected to break even in this year after

a 1993 loss of SF34m.

Holderbank rose SF3 to SF953 in response to its 12.3 per cent rise in 1993 net profit.

PARIS fell back from its session high in a volatile session, the CAC-40 index finally closing down 2.01 at 2,200.68. The index moved between a high of 2,222.52 and a low of 2,196.12.

BNP, which the government said would have its stake in UAP cut from 19 per cent to 15 per cent as part of the insurers privatisation, lost FF2.70 to FF251.80. UAP was unchanged at FF189.90.

AMSTERDAM drifted down, with the AEX index losing 1.91 to 414.38. Pakhoed, the storage and transport group, which repeated its forecast that 1994 earnings per share were set to rise, lost FL1.50 to FL83.80.

In a separate development, PTT, the Dutch post and telephone utility, announced that its first tranche of shares could be floated on June 7.

MILAN was steady, helped by the positive early tone in other European markets and having found technical support at Monday's lower levels. The Comit index edged 0.34 lower

to 664.66 as election uncertainties remained at the centre of attention.

Industrials led the way. Fiat rose L1 to L4.989, Pirelli L58 to L2.431 and Montedison L43 to L2.383. Olivetti put on L55 to L2.593 as hopes remained high for a swift decision on Italy's second mobile telephone licence.

ISTANBUL fell 4.8 per cent, wiping out Monday's gains, in uncertain trade ahead of Monday's local elections. The composite index lost 747.78 to 14,838. The elections are viewed as a key test of whether Prime Minister Tansu Ciller's coalition government can be trusted to tackle the looming economic crisis.

Analysts agree that the election will be followed by sharp price rises as the government relaxes restraints on loss making state run companies, but observers are divided on what effect the polls will have on financial markets, hit by a plunging lira and soaring interest rates.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Lower bonds hit Tokyo as Hong Kong rebounds 4%

Tokyo

A sharp sell off in the bond market prompted by concerns over rising tensions in the Korean peninsula and higher US interest rates affected investor confidence, and the Nikkei index closed lower amid low volumes, writes Emiko Terazono in Tokyo.

The Nikkei 225 average declined 215.52, or 1.1 per cent, to 20,293.53 after a high of 20,458.52 and a low of 20,202.42. Falls in the futures market prompted arbitrage selling, while small lot profit-taking also depressed share prices.

Volume was 360m shares as investors refrained from activity ahead of last trading day for March settlements on Friday. Buying by foreign investors also declined from previous weeks.

The Topix index of all first section stocks fell 19.23 to 1,622.01 while the Nikkei 300 declined 3.42 to 299.37. Losers led gainers by 626 to 247, with 111 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 0.67 to 1,344.28.

North Korea's rejection of full international inspection of its nuclear facilities and the subsequent decisions by the US to deploy missiles in Seoul fueled fears of growing tensions in the Korean peninsula. Such uncertainty coupled with speculation of a further rise in US interest rates hurt the bond market, which in turn dampened the share prices.

Mr Jason James, a strategist at James Capel, said that Japanese institutions may choose to invest in the bond market if long term interest rates rise further. He expects volatility on the bond market to affect share prices on the short term and sees the Nikkei index closing this business year between 19,500 and 20,000.

Interest rate sensitive shares lost ground in anticipation of higher long term interest rates. Nippon Steel fell ¥4 to ¥350

and Tokyo Electric Power by ¥80 to ¥3,290.

Banks were lower on profit-taking with Industrial Bank of Japan down ¥100 to ¥3,210 and Sumitomo Bank off ¥30 to ¥2,170.

Bakery and flour mill stocks were once again sought by speculators due to the continued rice shortage. Retailers are reporting a rise in sales of bread and noodles and Yama-zaki Holdings rose ¥30 to ¥2,100 and Nitta Flour Milling gained ¥20 to ¥350.

In Osaka, the OSE average fell 196.17 to 2,249.87 in volume of 92.2m shares. Aoki International, a retailer of office workers' uniform blue suits, plunged ¥240 to ¥3,300.

Roundup

Regional markets adopted sharply divergent routes.

HONG KONG rebounded, the Hang Seng index gaining 4 per cent to finish above 9,000 as bargain hunters sent prices up after the recent losses, and with a rise in US rates already discounted.

The index jumped 345.14 to end a volatile day at 9,012.17, having swung from a low of 8,583 to a high of 9,150 as Japanese funds were seen returning as buyers.

Preliminary turnover was a healthy HK\$6.34bn against Monday's HK\$6.52bn. The turnaround came as Mr Stuart Cook of Morgan Grenfell Asia Securities said that the Hang Seng was unlikely to hit its January 4 high of 12,599 again this year, but it could rebound to 10,000-12,000 by the end of the year.

He said that the market was still attractive with strong corporate earnings anticipated. Interest rates would remain low, and it was unlikely that property prices would crash in the next 12 months.

However, Morgan Stanley has reiterated its view that the index could touch or pass the 7,000 level as a result of inflated property prices, the

Deng succession and MFN status for China. "At the 7,000 level we would recommend buying stocks heavily. The long term story on China is still intact and as attractive as ever."

KUALA LUMPUR picked up 1.4 per cent after recent sell-offs as bargain hunting lifted the composite index 13.30 to 967.48. The index hit a low of 956.80 in early trade after falling 92.30 points over the previous three trading days.

SINGAPORE was firmer in a technical rebound after Monday's sharp falls and the Straits Times Industrials index rose 8.74 to 2,045.04 after hitting an intra-day low of 1,990.37.

AUSTRALIA saw late bargain hunting pick shares up from their lows, leaving the All Ordinaries index to finish 0.3 firmer at 2,140.83, having been 14.7 points down at one stage.

SEOUL closed easier in weak trading as mild selective buying centred on some blue chips was wiped out by selling pressure caused by growing tension over North Korea's nuclear row. The composite index eased 7.70 to 875.55.

NEW ZEALAND was unnerved by weakness elsewhere and the NZSE-40 capital index fell 48.41 or 2.2 per cent to 2,206.93 in moderate turnover of NZ\$44m.

MANILA recovered some of its sharp early losses after Hong Kong's rebound and the composite index finished 34.97 or 1.3 lower at 2,563.60, after a low of 2,503.

BOMBAY was lower in nervous trade triggered by the Bombay Stock Exchange declaring a local stock broker defaulter.

The BSE 30-share index closed 28.95 lower at 3,791.78.

COLOMBO was lower again prompting speculation that the correction which began on March 1 would continue at least until after tomorrow's southern provincial council election. The all-share index fell 10.01 to 1,256.43.

A bull run dating from late 1992 may finally be coming to an end for Swedish equities.

Long-term interest rates are heading upwards, thanks to turbulence in international markets and worries about higher US interest rates. At the same time a stream of rights issues is soaking up liquidity. The two trends have combined to bring the most unsettled market conditions for nearly 18 months.

Shares have generally fallen in recent days, but even so the Affarsvärlden index remains up some 4 per cent since the beginning of the year.

The turbulence may just be temporary. Goldman Sachs in London, for example, anticipates a 20 per cent rise in the market over the next 12 months.

To some extent, the bourse has been a victim of its own success.

What began as a trickle of companies seeking new equity from their shareholders has turned into a flood. The government is also making heavy demands on the market with its privatisation programme, the most recent being its SKR30bn (Skr) sell-off of a 49 per cent stake in forestry group AssiDomän. Some observers are suggesting that the state's planned late spring disposal of its stake in Finansia - for an estimated SKR14bn - should be delayed.

Skandia, the insurance group, and Avesta Sheffield, the stainless steel producer, are the latest big companies to announce rights issues. According to one estimate, rights issues and privatisations may soak up as much as SKR50bn this year, equal to some 3.4 per cent of GDP, and dwarfing the SKR27bn raised in 1993.

The demand is huge, but supply from both foreign and domestic sources remains healthy. Last year foreigners bought a net SKR30.8bn of

Swedish shares, taking their ownership of the stock market to nearly 28 per cent. There has been no sign of a let up in 1994, with a further SKR3.95bn of net purchases by foreigners in January.

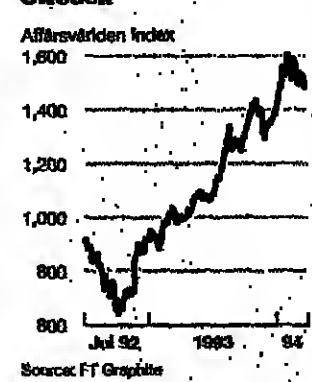
Mr Bjorn Karlén, chief executive of the Swedish Association for Share Promotion, expects overseas institutions to make SKR30bn of net purchases in 1994 simply because many are still adjusting their portfolio weightings after Sweden relaxed restrictions on foreign share ownership in January 1993.

He also expects a big inflow of funds from domestic institutions and households because of higher personal savings, new individual pension schemes, and changed tax treatment for dividends and capital gains.

Most analysts are agreed that the fundamentals will remain strong in 1994. However, the driving factor this year will be corporate earnings, rather than lower interest rates, even though the trend for the latter is expected to be downward.

Corporate results for 1993 generally met or exceeded

Sweden



Source: FT Graphics

expectations, and further gains are anticipated this year as companies benefit from the three hard years of cost-cutting and a generally weak currency.

The general economic picture is also much more encouraging, with positive GDP growth expected in 1994 for the first year since 1990.

The recovery was triggered by strong growth in exports, following a 20 per cent depreciation in the krona last year, but is now spreading to the domestic economy.

The improved economic outlook has brought a strengthening of the krona since the beginning of the year. This will be positive for foreign interest in the market, according to Mr Christian Diebitsch, Swedish analyst with Kleinwort Benson in London.

"I don't think we will see the market rise another 54 per cent rise in local currencies, like

last year, but a strong krona is certainly positive from a foreign perspective," he states.

On the negative side, Sweden's huge budget deficit - one of the highest in the OECD - and an unemployment rate of around 14 per cent will continue to cause concern about the state of the country's finances.

Uncertainty will also increase as the year progresses, with both a general election and a referendum on entry into the European Union due before the end of the year. A "no" vote in the EU referendum, in particular, would damage confidence.

These factors aside, there is the market's vulnerability to developments in the international arena: a vulnerability which has been enhanced by the increased levels of foreign ownership.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS		MONDAY MARCH 21 1994										FRIDAY MARCH 18 1994										DOLLAR INDEX															
Figures in parentheses show number of lines of stock		US Dollar Index	Day's Change	Point	Yen	DM	Local Currency	Local % chg	Green Dv.	Yield	US Dollar Index	Day's Change	Point	Yen	DM	Local Currency	Local % chg	Green Dv.	Yield	US Dollar Index	Day's Change	Point	Yen	DM	Local Currency	Local % chg	Green Dv.	Yield	US Dollar Index	Day's Change	Point	Yen	DM	Local Currency	Local % chg	Green Dv.	Yield
Australia (60)		171.68	-1.8	171.45	115.35	151.55	151.07	-0.1	3.26	174.45	173.73	116.93	158.83	182.86	188.15	130.19	141.01			171.68	-1.8	171.45	115.35	151.55	151.07	-0.1	3.26	174.45	173.73	116.93	158.83	182.86	188.15	130.19	141.01		
Austria (17)		188.11	-0.5	187.87	126.39	168.04	168.23	-0.7	0.93	189.79	188.00	127.21	167.35	187.40	195.41	139.63	146.87			188.11	-0.5	187.87	126.39	168.04	168.23	-0.7	0.93	189.79	188.00	127.21	167.35	187.40	195.41	139.63	146.87		
Belgium (45)		158.38	-0.5	158.17	113.13	148.83	145.15	-0.5	3.89	169.28	166.58	113.46	146.28	145.28	171.99	141.32	146.76			158.38	-0.5	158.17	113.13	148.83	145.15	-0.5	3.89	169.28	166.58	113.46	146.28	145.28	171.99	141.32	146.76		
Canada (107)		138.08	-0.2	137.80	82.77	121.88	120.39	-0.8	2.40	129.79	128.91	82.02	125.28	127.18	148.91	121.46	126.88			138.08	-0.2	137.80	82.77	121.88	120.39	-0.8	2.40	129.79	128.91	82.02	125.28	127.18	148.91	121.46	126.88		
Denmark (23)		263.71	-0.5	263.37	177.18	232.77	234.62	-0.4	0.98	268.06	263.98	177.87	233.73	239.09	275.79	198.66	200.54			263.71	-0.5	263.37	177.18	232.77	234.62	-0.4	0.98	268.06	263.98	177.87	233.73	239.09	275.79	198.66	200.54		
Finland (23)		143.76	-1.4	143.58	97.84	126.67	170.72	-0.7	0.85	147.89	147.27	99.12	130.40	171.98	158.72	73.12	74.78			143.76	-1.4	143.58	97.84	126.67	170.72	-0.7	0.85	147.89	147.27	99.12	130.40	171.98	158.72	73.12	74.78		
France (99)		178.17	-1.0	177.95	118.37	155.51	158.91	-0.9	2.88	178.01	177.27	119.31	156.96	181.35	195.27	148.60	157.09			178.17	-1.0	177.95	118.37	155.51	158.91	-0.9	2.88	178.01	177.27	119.31	156.96	181.35	195.27	148.60	157.09		
Germany (95)		335.02	-0.4	334.95	192.72	119.18	118.18	-0.3	3.74	336.41	335.85	91.43	120.28	120.28	142.98	107.57	144.44			335.02	-0.4	334.95	192.72	119.18	118.18	-0.3	3.74	336.41	335.85	91.43	120.28	120.28	142.98	107.57	144.44		
Hong Kong (59)		139.52	0.1	139.55	233.94				0.0 </td <td>130.98</td> <td>130.55</td> <td>290.55</td> <td>320.61</td> <td>320.61</td> <td>500.95</td> <td>246.57</td> <td>246.57</td> <td></td> <td></td> <td>139.52</td> <td>0.1</td> <td>139.55</td> <td>233.94</td> <td></td> <td></td> <td></td> <td>0.0</td> <td>130.98</td> <td>130.55</td> <td>290.55</td> <td>320.61</td> <td>320.61</td> <td>500.95</td> <td>246.57</td> <td>246.57</td>	130.98	130.55	290.55	320.61	320.61	500.95	246.57	246.57			139.52	0.1	139.55	233.94				0.0	130.98	130.55	290.55	320.61	320.61	500.95	246.57	246.57		
India (10)		100.73	0.1	100.45	168.58	188.21		0.2	1.17	100.99	100.82	172.70	188.21	188.21	292.12	292.12	292.12			100.73	0.1	100.45	168.58	188.21		0.2	1.17	100.99	100.82	172.70	188.21	188.21	292.12	292.12	292.12		
Italy (81)		74.79	-1.4	74.70	50.25	69.02	93.70	-1.4	1.80	75.85	75.53	60.64	86.96	95.65	76.53	55.21	55.21			74.79	-1.4	74.70	50.25	69.02	93.70	-1.4	1.80	75.85	75.53	60.64	86.96	95.65	76.53	55.21	55.21		
Japan (89)		153.14	-0.2	154.94	104.23	198.94	104.23	0.0	0.78	156.51	164.87	104.23	137.13	104.23	165.91	115.90	122.00			153.14	-0.2	154.94	104.23	198.94	104.23	0.0	0.78	156.51	164.87	104.23	137.13	104.23	165.91	115.90	122.00		
Malaysia (26)		144.28	-3.8	144.19	238.17	393.04	488.70	-3.5	1.83	147.49	489.54	135.03	415.75	494.00	821.85	276.49	276.49			144.28	-3.8	144.19	238.17	393.04	488.70	-3.5	1.83	147.49	489.54	135.03	415.75	494.00	821.85	276.49	276.49		
New Zealand (13)		168.42	-0.5	168.15	109.18	158.18	158.18	-0.5	0.98	169.28	168.56	109.18	158.18	158.18	246.57	145.15	145.15			168.42	-0.5	168.15	109.18	158.18	158.18	-0.5	0.98	169.28	168.56	109.18	158.18	158.18	246.57	145.15	145.15		
Netherlands (8)		168.42	-0.5	168.15	109.18	158.18	158.18	-0.5	0.98	169.28	168.56	109.18	158.18	158.18	246.57	145.15	145.15			168.42	-0.5	168.15	109.18	158.18	158.18	-0.5	0.98	169.28	168.56	109.18	158.18	158.18	246.57	145.15	145.15		
Norway (23)		187.45	-2.2	187.20	132.67	81.77	95.25	-2.1	1.57	191.89	191.60	132.67	177.95	201.45	300.42	100.61	100.61			187.45	-2.2	187.20	132.67	81.77	95.25	-2.1	1.57	191.89	191.60	132.67	177.95	201.45	300.42	100.61	100.61		
Portugal (45)		296.55	-0.4	296.28	197.56	268.06	268.06	-0.4	1.60	297.49	296.75	197.56	271.61	224.84	376.52	217.80	223.66			296.55	-0.4	296.28	197.56	268.06	268.06	-0.4	1.60	297.49	296.75	197.56	271.61	224.84	376.52	217.80	223.66		
Singapore (23)		144.81	-0.5	144.58	119.38	225.24	267.07	-0.3	2.30	146.28	145.96	119.38	178.48	188.21	292.12	292.12	292.12			144.81	-0.5	144.58	119.38	225.24	267.07	-0.3	2.30	146.28	145.96	119.38	178.48	188.21	292.12	292.12	292.12		
Spain (42)		215.40	-1.0	215.12	144.72	100.15	251.60	-0.8	1.51	217.62	216.72	144.72	145.96	191.35	270.27	100.61	100.61			215.40	-1.0	215.12	144.72	100.15	251.60	-0.8	1.51	217.62	216.72	144.72	145.96	191.35	270.27	100.61	100.61		
Sweden (38)		169.09	-0.1	168.68	106.89	140.42	147.78	-0.3	1.59	169.47	169.08	106.89	107.74	147.78	143.60	176.06	176.06			169.09	-0.1	168.68	106.89	140.42	147.78	-0.3	1.59	169.47	169.08	106.89	107.74	147.78	143.60	176.06	176.06		
Switzerland (215)		159.77	-0.5	159.52	118.12	168.39	160.77	-0.5	2.17	160.77	160.77	118.12	168.39	168.39	246.57	145.15	145.15			159.77	-0.5	159.52	118.12	168.39	160.77	-0.5	2.17	160.77	160.77	118.12	168.39	168.39	246.57	145.15	145.15		
USA (749)		167.42	-0.5	167.02	112.48	147.78	160.25	-0.5	2.88	168.97	168.27	112.53	148.99	191.52	178.99	139.56	143.50			167.42	-0.5	167.02	112.48	147.78	160.25	-0.5	2.88	168.97	168.27	112.53	148.99	191.52	178.99	139.56	143.50		
Pacific (112)		206.64	-1.0	206.37	140.16	184.16	213.18	-0.8	1.30	210.64	209.97	141.23	186.91	214.96	220.00	145.85	150.00			206.64	-1.0	206.37	140.16	184.16	213.18	-0.8	1.30	210.64	209.97	141.23	186.91	214.96	220.00	145.85	150.00		
Europe-Pacific (725)		162.67	-0.8	162.37	109.23	143.51	113.91	-0.5	1.07	163.84	163.16	109.81	144.47	211.82	180.00	124.58	128.52			162.67	-0.8	162.37	109.23	143.51	113.91	-0.5	1.07	163.84	163.16	109.81	144.47	211.82	180.00	124.58	128.52		
Euro-Pacific (7407)		184.44	-0.8	184.22	110.49	145.15	131.96	-0.5	1.63	186.92	186.19	111.11	148.21	182.61	170.78	130.91	132.64			184.44	-0.8	184.22	110.49	145.15	131.96	-0.5	1.63	186.92	186.19	111.11	148.21	182.61	170.78	130.91	132.64		
Europe (42)		187.45	-2.2	187.20	132.67	81.77	95.25	-2.1	1.57	191.89	191.60	132.67	177.95	201.45	300.42	100.61	100.61			187.45	-2.2	187.20	132.67	81.77	95.25	-2.1	1.57	191.89	191.60	132.67	177.95	201.45	300.42	100.61	100.61		
Europe-EU (1430)		143.98	-1.0	143.77	100.08	134.18	138.39	-0.9	2.51	150.40	149.78	100.08	132.40	144.72	188.21	100.61	100.61			143.98	-1.0	143.77	100.08	134.18	138.39	-0.9	2.51	150.40	149.78	100.08	132.40	144.72	188.21	100.61	100.61		
Pacific, Ex. Japan (250)		238.29	-0.8	238.59	158.76	208.58	217.34	-0.7	2.91	246.22	244.71	154.70	218.67	226.59	199.21	168.46	168.46			238.29	-0.8	238.59	158.76	208.58	217.34	-0.7	2.91	246.22	244.71	154.70	218.67	226.59	199.21	168.46	168.46		
World, Ex. US (1652)		165.94	-0.8	165.72	111.49	148.49	135.29	-0.8	1.94	167.31	166.61	111.49	147.52	136.15	178.21	122.01	122.01			165.94	-0.8	165.72	111.49	148.49	135.29	-0.8	1.94	167.31	166.61	111.49	147.52	136.15	178.21	122.01	122.01		
World, Ex. Japan (1719)		172.62	-0.8	172.40	115.98	152.37	151.72	-0.6	2.18	173.88	173.15	115.98	151.98	188.21	175.98	145.88	145.88			172.62	-0.8	172.40	115.98	152.37	151.72	-0.6	2.18	173.88	173.15	115.98	151.98	188.21	175.98	145.88	145.88		
World, Ex. Japan (7702)		164.74	-0.9	164.50	124.12	163.03	180.70	-0.8	2.77	166.42	165.65	124.12	163.03	188.21	168.23	139.23	139.23			164.74	-0.9	164.50	124.12	163.03	180.70	-0.8	2.77	166.42	165.65	124.12	163.03	188.21	168.23	139.23	139.23		
The World Index (2171)		173.16	-0.7	172.96	116.36	152.87	152.81	-0.6	2.18	174.42	173.70	116.81	152.70	163.15	177.98	144.14	144.14			173.16	-0.7	172.96	116.36	152.87	152.81	-0.6	2.18	174.42	173.70	116.81	152.70	163.15	177.98	144.14	144.14		